BUSINESSEUROPE

SPEAKING NOTES

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JOBS FOR EUROPE: THE EMPLOYMENT POLICY CONFERENCE

WAGES – ADJUSTMENT AND STRATEGIES

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I. Structural labour market reforms are key to success

- At a time when there is significant uncertainty about the future of the Eurozone and the EU economy as a whole, it is a matter of urgency to reduce financial market instability by using all feasible means to support the Euro;

- Companies need to have the confidence to invest, both in terms of the products or services they sell and in the human resources that are required to promote them;

- This enables people to earn a return on that investment when it leads to higher output and productivity. Given our ageing populations in Europe, it is exactly those returns that will be required to a greater and greater extent to pay for people's pensions and maintain everybody's standard or living;

- Confidence must come from the Member States better defining competitive employment strategies and their National Reform Programmes and National Job Plans provide the appropriate framework for this;

- Labour market performance continues to differ widely among Member States, mirroring differences in overall economic performance, but countries that maintained a sustainable competitive and fiscal position before the crisis have fared much better throughout the crisis and the recovery;

- For example: while unemployment in Germany and Austria is expected to further decline in the coming year, in Spain unemployment is expected to increase to above 25% in 2013;

- A further example is youth unemployment, which has reached pandemic levels of 52.8% in Greece and 52.7% in Spain, and in June 2012 there were almost 5.5 million people under 25 unemployed in the EU;

- Recent efforts to implement structural reforms in order to improve cost competitiveness in a number of Member States are also starting to translate into reduced current account imbalances;

- For example, since 2008-2009, Ireland has reduced unit labour costs by around 20% compared to the euro area as a whole. As a consequence, exports increased by over 4% in 2011 alone and the current account deficit is expected to decrease by 2/3rds from its peak by the end of the year.

II. Wages

- When discussing wages in an EU context it is important to recall that Article 153.5 of the EU Treaty establishes clearly that wages are out of the scope of EU competences in the area of social policy;
- Therefore, the decision to adapt wage bargaining systems belongs to national governments and to national social partners, in line with the diversity of industrial relations systems;

- A trend towards negotiations of wages at the plant level has been observed in recent years in several European countries;

- Wage negotiations are organised at different levels in European countries. Whatever the level at which they are negotiated, it is important to ensure that wage agreements leave enough flexibility to the company level to take maximum account of productivity;

- BUSINESSEUROPE also believes that greater wage flexibility, based on wage moderation when necessary, is vital to support job creation and competitiveness, better reflecting labour market and productivity conditions and limiting wage and price inertia;

- Therefore, effective changes which have been brought forward in some collective bargaining systems may serve as a source of inspiration for other countries;

- For example, German social partners increasingly use “opening clauses” in sectoral collective agreements, which provide flexibility for companies to adapt national rules to their particular situation;

- Other examples include the possibility to agree on a variable starting date of the agreed wage increase, lump sum payments, variable elements of the wage; and working time accounts, etc;

Minimum wages

- As of January 2012, 20 EU Member States plus Croatia have a minimum wage, set either by statute or national inter-sectoral agreement. Denmark, Germany, Italy, Cyprus, Austria, Finland and Sweden do not have a minimum wage;

- Monthly minimum wages vary across the EU from 1801 euros in Luxembourg to 162 euros in Romania;

- The Employment Package notes the importance of decent and sustainable wages and the avoidance of low-wage traps. In this context minimum wages are advocated to help reduce in-work poverty and labour market segregation while ensuring decent quality work;

- BUSINESSEUROPE believes that it is not for the EU to try to impose a particular form of wage setting on Member States. The issue of whether to have legal minimum wages and if they exist, how to regulate them, is entirely within the national competence. The EU should not interfere in this field;

- In some cases the introduction of a statutory minimum wage could undermine national collective bargaining traditions and be counter-productive in substance;

- For example, in Germany, a country without a mandatory minimum wage, the development of a segment of lower wages and the facilitation of the use of flexible forms of work has been the result of a conscious political decision aimed at better integrating the young, low qualified and long-term unemployed into the labour market;

- BUSINESSEUROPE believes that flexible labour markets help to combat labour market segmentation. Different forms of contractual arrangements are needed by employers and workers as a means to stimulate job creation by companies and to better reconcile work and family life;

- BUSINESSEUROPE is also of the opinion that the main purpose of active demand-side employment policies today is to make labour costs more competitive in order to encourage companies to recruit more. This includes lighter taxation of labour;

- Only be making employment more attractive will the share of labour in GDP increase.

Wage indexation

- Automatic wage adjustment to inflation contributes to a self-perpetuating inflationary spiral. For this reason, countries such as France and Italy decided to put an end to their indexation systems during the 1980s and 1990s;

- One of the main elements of the 2012 programme of labour market reforms in Spain involves moving away from a system of wage indexation. This concerns wage moderation, whereby salaries should only increase by 0.5% in 2012 and by 0.6 % in 2013 and 2014; and wage bargained increases should be linked to economic activity from 2014 onwards;

- Belgium, Cyprus, Luxembourg and Malta are the EU countries with wage indexation systems;

- Competitive adjustments are now needed in many European countries. They can take place via quantities - employment and internal demand - or via prices - wages and prices;

- By cutting the link between wages and productivity, indexation systems contribute to greater unemployment. To avoid this, BUSINESSEUROPE believes that more flexible wage bargaining structures must be favoured to create growth and jobs.

Wage monitoring

- We welcome further social partner involvement in economic governance issues, including wage monitoring. This is an issue that the European social partners are discussing this autumn and into next year as part of our joint work programme 2012-2014;
- The Commission has proposed to set up an EU tripartite format for monitoring and exchanging views on wage developments in relation to productivity, inflation and internal demand, unemployment and income inequalities.
- BUSINESSEUROPE considers that a bipartite format would be better. Such exchanges could take place in the context of the European Social Dialogue Committee.

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