

The impact of the **Troika policy on wages and collective bargaining**

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European Parliament

Public Hearing on „Employment and social aspects of the operations
and role of the Troika in euro area programme countries“

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Troika's approach towards wages and collective bargaining

Basic assumption: Lowering labour costs is the key to regain competitiveness
(strategy of internal devaluation)



- 1. Direct Interventions** in current wage developments
(wage cuts/freezes)
- 2. “Structural reforms”** of collective bargaining systems in order to increase downward flexibility of wages

Public Sector Wages



Freeze
since 2009

Cuts between
12% and 20%
(2010)

Cuts up to 17%
(2011-2013)

Freeze
since 2010

Cuts of 5%
(2010)

Cuts between
3.5% and 10%
(2011)

Suspension of
annual bonuses
(2012-2013)

Freeze
since 2008

Cuts between
5% and 7%
(2009)

Cuts between
5% and 8%
(2010)

Freeze from
2013-2017

Cuts between
6.5% and 12.5%
(2013)

Minimum Wages



Cut by 22 %
(32% for young
workers below
25) in 2012

Freeze until the
end of the
programme
period

Freeze
since 2011

No increase
without
compliance by
the Troika

Cut by 1 €
02/2011
revoked
07/2011

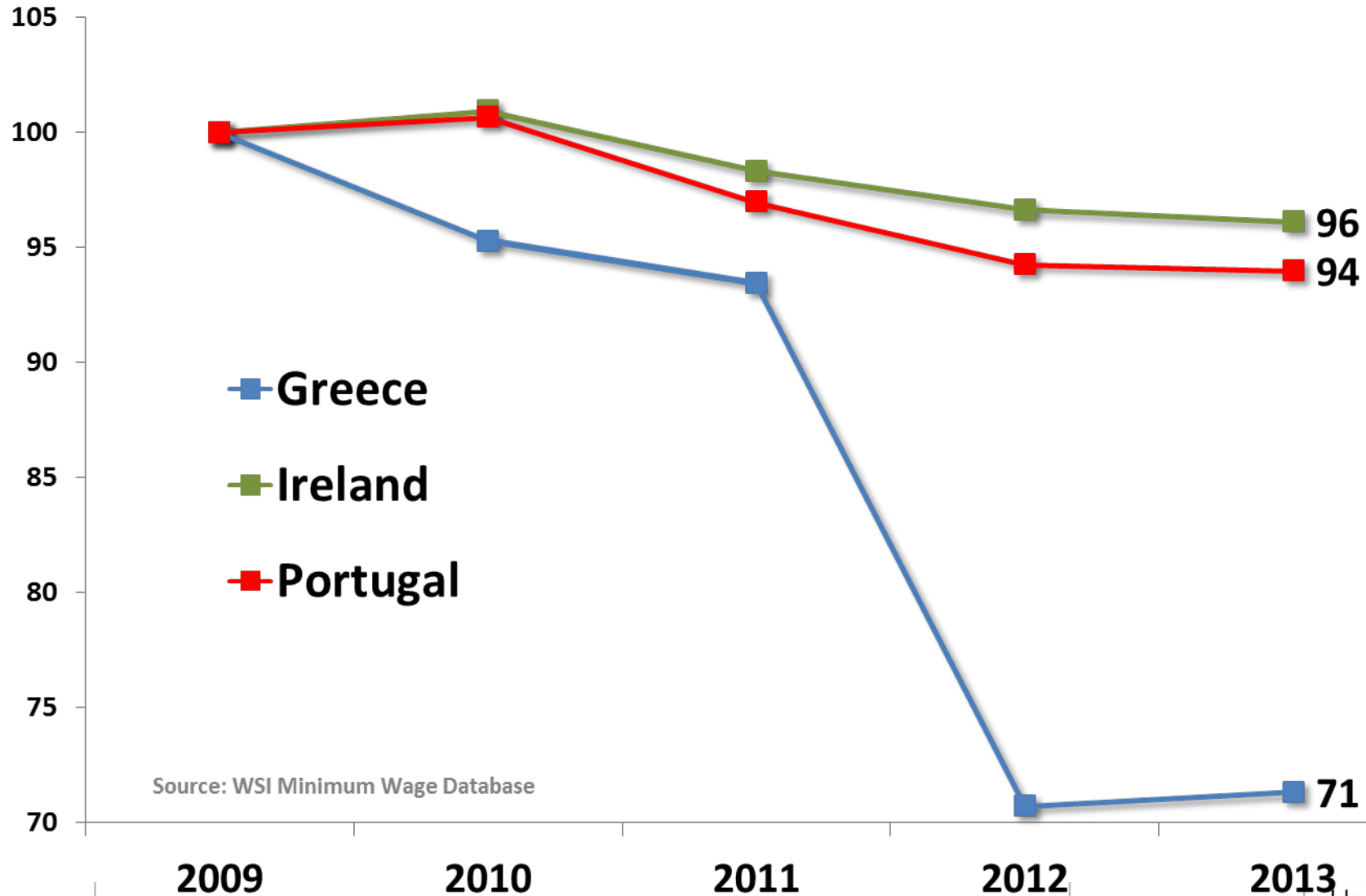
Freeze
since 1997

Suspension of
automatic
indexation

No increase
without
compliance by
the Troika

Development of the Real Value of Minimum Wages (2009 = 1000)

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Troika's approach towards wages and collective bargaining

“Employment friendly reforms” in the area of collective bargaining

- ➔ decrease **bargaining coverage**
- ➔ decrease **extension** of agreements
- ➔ reform the bargaining system in a **less centralized way**
- ➔ extending the possibility to **derogate** from higher level agreements
- ➔ removing or limiting the **"favourability principle"**
- ➔ overall **reduction** in the **wage setting power of trade unions**



Changes in the Greek Collective Bargaining System



Law No. 4024/2011:

- ➔ Suspension of the **extension** of collective agreements
- ➔ Suspension of the **favourability clause**, i.e. firm-level agreements prevail over sectoral agreements
- ➔ Allowing for **non-union workers' representatives** to negotiate firm-level agreements

Law No. 4046/2012 :

- ➔ Reduction of the **after-effect** of expired collective agreements to 3 months

Law No. 4093/2012 :

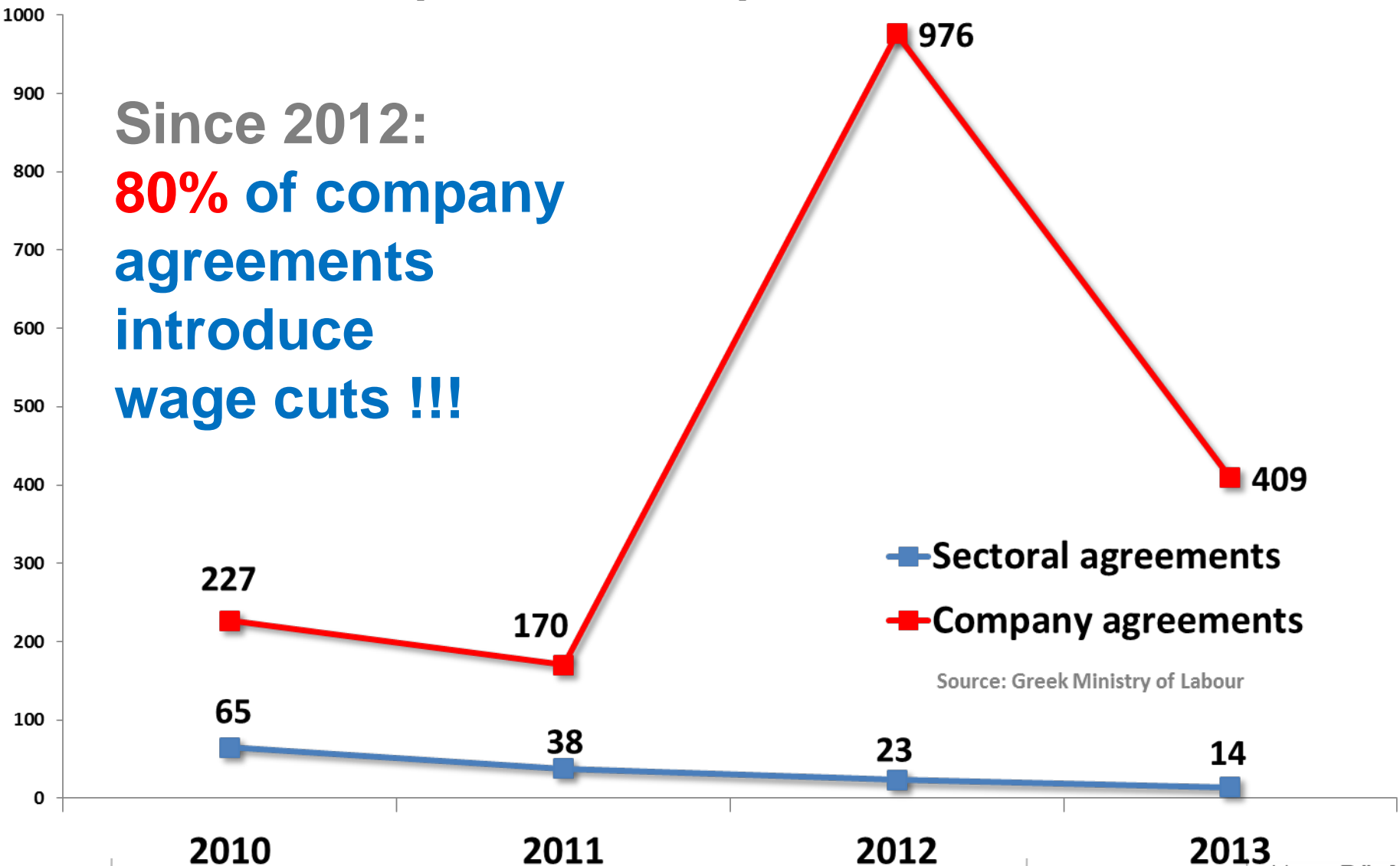
- ➔ **National Minimum Wage** to be determined by law (Instead of by national collective agreement)

Collective agreements in Greece (2010-2013)



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Since 2012:
**80% of company
agreements
introduce
wage cuts !!!**



Source: Greek Ministry of Labour

Changes in the Portuguese Collective Bargaining System



Law No. 23/2012 :

- ➔ Allowing for **non-union workers' representatives** to negotiate firm-level agreements in small enterprises

Resolution No. 90/2012 :

- ➔ Introduction of **stricter criteria for the extension** of collective agreements (50% bargaining coverage)

Memorandum of Understanding 2011:

- ➔ **Government agreed to restrict extension** until the adoption of a new regulation on extension

Collective agreements in Portugal (2008-2012)



	2008	2009	2010	2011	2012
Sectoral agreements	200	164	166	115	46
Company agreements	95	87	64	55	39
Number of extensions	137	102	116	17	12
Number of employees covered by agreements	1.9 Mil.	1.4 Mil.	1.4 Mil.	1.2 Mil.	328,000

Source: Portuguese Ministry of Labour

Changes in the Irish Collective Bargaining System



2009: Breakdown of the 22-years-old system of national pay bargaining

- ➔ collective bargaining remains mainly at company level

Industrial Relations (Amendment) Act 2012:

- ➔ Introduction of **stricter criteria** for the “Registered Employment Agreements” (REAs) and “Employment Regulation Orders” (EROs), which allow to determine minimum wages in certain sectors

Changes in the Cypriot Collective Bargaining System



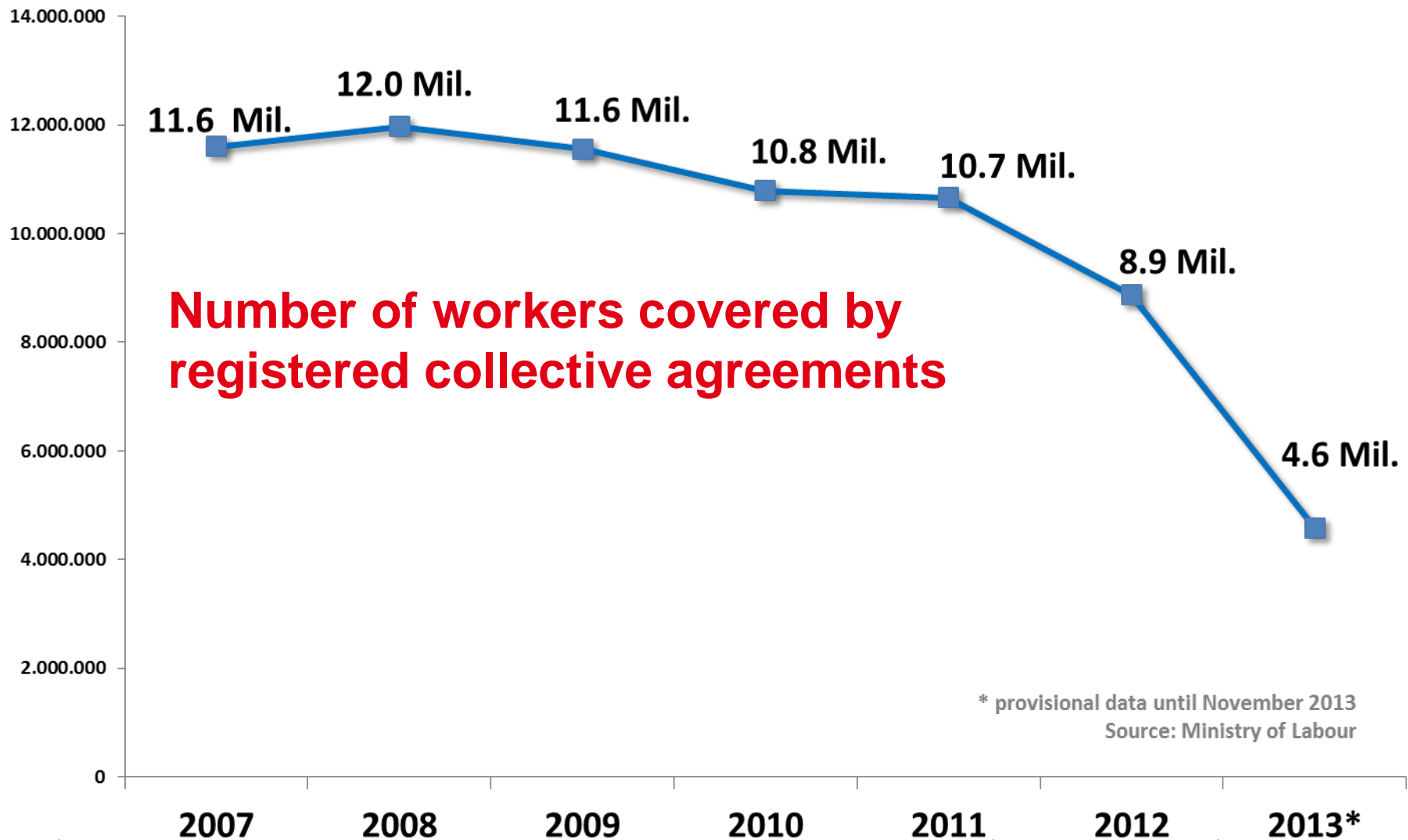
Memorandum of Understanding 2013:

- ➔ **Suspension of wage indexation** during programme period
- ➔ **Future: A move from full to partial indexation**, with the rate of wage indexation being set at 50% of the rate of increase of the underlying price index over the previous year

Collective agreements in Spain (2007-2013)

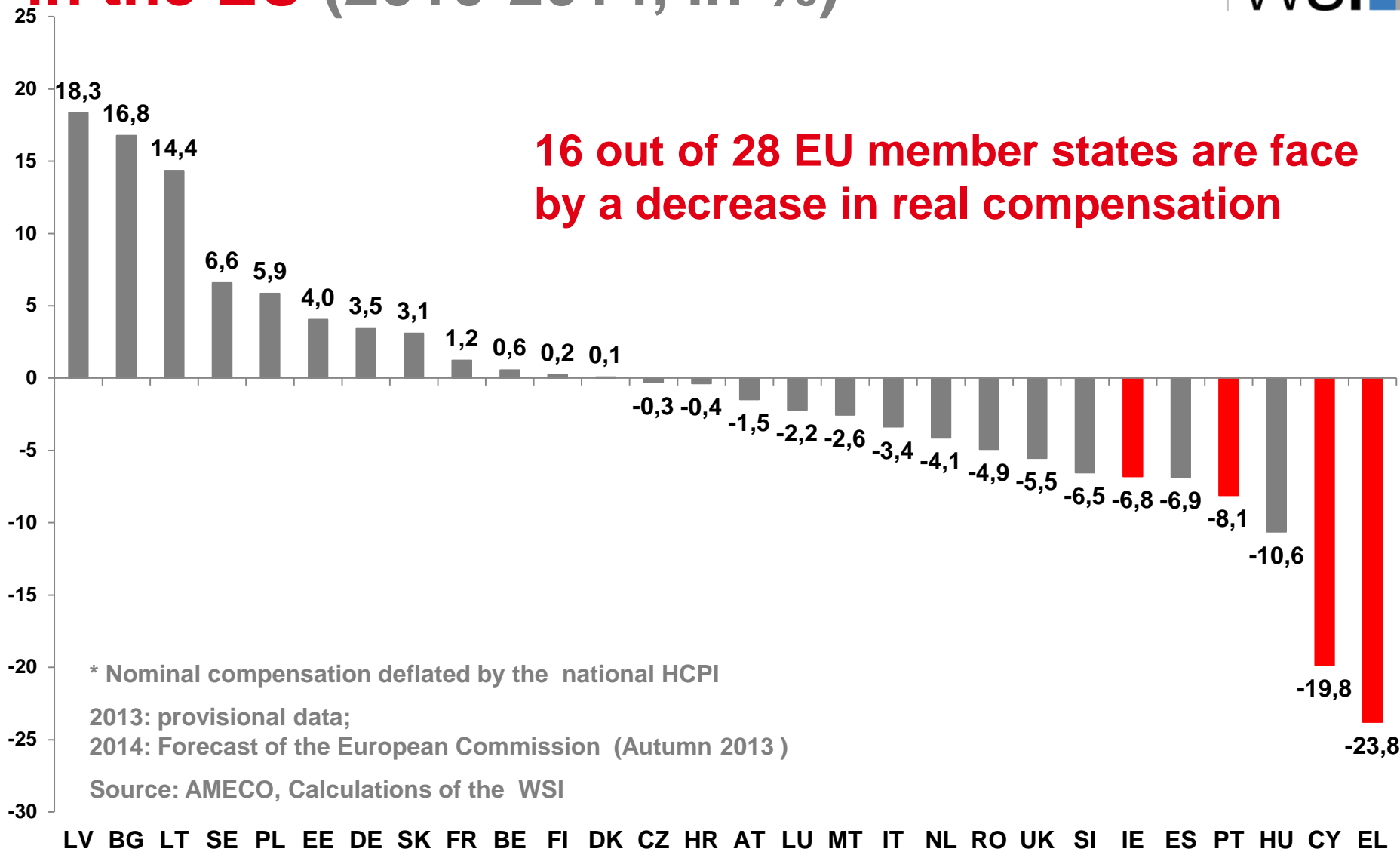


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Development of real compensation in the EU (2010-2014, in %)*

**16 out of 28 EU member states are face
by a decrease in real compensation**



* Nominal compensation deflated by the national HCPI

2013: provisional data;

2014: Forecast of the European Commission (Autumn 2013)

Source: AMECO, Calculations of the WSI

Conclusion:

Troika promotes a radical shift in collective bargaining leading to ...



- ➔ a systematic **weakening** and **dismantling** of **multi-employer bargaining** (at national and/or sectoral level)
- ➔ a **dramatic decline** of the **bargaining coverage**
- ➔ a strong **downward pressure on wages** leading to a deflationary spiral of wage competition with detrimental effects on consumer demand

Many thanks for your attention!

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