Introductory remarks delivered by Bernadette Ségol
General Secretary of the European Trade Union Confederation

Meeting of the Employment Committee with Social Partners on wage developments
1 February 2013, Brussels

Dear chair, ladies and gentlemen and friends.

I would like to thank the chair for giving me the floor and for organising this meeting.

Despite much reticence among ETUC members regarding the desirability of a European level tripartite discussion on wage developments, the ETUC agreed that we should participate in this exploratory meeting.

Unfortunately, I must start by expressing our dissatisfaction with the format of this meeting. The reason for our dissatisfaction is that the agenda and questions to be discussed have been decided quite unilaterally.

At the high-level conference to mark the ETUC's 40th anniversary, earlier this week, I emphasised that the social dialogue needed to be concrete.

Effective social dialogue cannot take place in a framework where one party decides what issues will be discussed and how those discussions are to take place.

This being said, let me turn to the substance of today's meeting:

The ETUC position on the idea of looking at wages developments at European level was outlined in our response to the Commission's Employment Package.

We made it clear then that such an exercise could only be performed under three conditions:

- The autonomy of the social partners must be strictly respected,
- The scope of such an exercise must be broad and include fiscal and monetary policy as well as qualitative determinants of competitive positions,
- Profits and their use must also be monitored.

Chair, we will keep repeating that financial market failure, not wages, caused the crisis.

We also need to underline that excessive and widening inequalities, including inequality in wages and in the income share of labour against capital, played an important role in the economic crisis.

General wage depression is not the way out of the crisis. The strategy of wage dumping, currently pursued, is in the process of contaminating substantial parts of Europe.

I am sounding the alarm bell, again, on the dangers of the wage race to the bottom.

Concerning today's meeting, I underline the following:

For the ETUC, the focus of the discussion should not be wages as they are determined at national level.

No; our discussion should focus on the overall implications of national wage developments at the European and/or Euro area level.

We should deal with the overall balance of wage developments in Europe. Not with individual wage developments.

It is impossible to consider the issue of wages without setting this in the context of collective bargaining.

We welcome the fact that the Commission's Discussion Note starts by acknowledging this and the central role of the national social partners, as well as recalling Article 152 TFEU and the assurance of respect for the autonomy of the social partners. It is also worth recalling that Article 153 (5) TFEU excludes 'pay' from EU competence in the area of social policy.

We would, however, like to see this adhered to in practice. Instead, many of our members find themselves faced with a concerted attempt to change the system of wage formation itself. The aim is to structurally weaken the trade unions' bargaining position.

For example, when we consider the reforms being pushed through in Greece, Portugal, Spain and Romania, two processes stand out.

First, the decentralisation of wage bargaining to lower levels, notably to company levels, which undermines unions' and workers' collective strength and thus our bargaining power.

Second, reforms aimed at actually dismantling collective bargaining itself by giving employers the right not to respect collective agreements and to set wages unilaterally or through agreements with committees that are not representative or even through agreements with individual workers.

These developments coincide with the establishment of DG ECFIN databases which rank structural reforms according to their ability to reduce the power of trade unions in setting wages.

For us this is not a coincidence, but a coordinated policy to weaken our industrial relation systems.

Our Key Messages on the Annual Growth Survey called on EMCO to address this attack on fundamental rights. We raise it again here, in the presence of the ILO.

It is unacceptable that reforms restricting collective bargaining coverage and the freedom of trade unions to set wages are deemed to be 'employment friendly' by EU institutions. This amounts to an attack on the freedom of association and collective bargaining.

The need to respect the autonomy of collective bargaining and the social dialogue also extends to the public sector.

Large scale restructuring and accelerated reform of the public sector in many Member States has been taking place over the past few years, driven by the fiscal consolidation agenda.

This restructuring and reforms were implemented without any proper social dialogue.

For the ETUC Governments, in their role as employers, have the same obligation and an even greater responsibility to ensure that social dialogue and collective bargaining are respected.

Today's discussion can bring added value if it allows for a more balanced exchange on wages.

Wages, of course, have multiple roles to play and the 3 themes for discussion today at least partially reflect this.

Until now the approach simply focused on using wages as a mechanism for macroeconomic adjustment. We need a different course.

The ECB should not use the power of its monopoly over monetary policy to deregulate labour markets.

Wage formation systems fall outside its remit, both in terms of legal and political competence.

The ECB seems to have forgotten that.

I am also telling the ECB that its drive for a deregulation of wage formation systems is not coherent with the objective of financial stability. Flexible wages increase inequalities and distribute income from low saving to high savings households.

The financial crisis has shown us that the nature of the Greenspan philosophy of increasing household debt as a substitute for decent and equitable wage formation is very risky.

The IMF has decades of experiences with structural adjustment programmes. They are showing more restraint on the area of labour market policy.

This platform also gives me an opportunity to respond to attacks and misinformation regarding public sector pay and the ECB's strategy regarding public sector wage moderation.

Public sector wages should generally develop in line with the private sector and, as the ECB's own research shows, public sector wages are not fuelling increases in private sector pay.

It is also important to emphasise the positive role that the public sector plays in reducing wage gaps and inequality by providing decently paid employment. We welcome the fact that the gender pay gap is generally lower in the public sector than in the private sector.

We appeal to the ILO. In your future work, please continue to include a focus on what is happening in Europe.

What is taking place is not just an internal devaluation of wages but also a devaluation of wage formation systems themselves, which policy makers are imposing on a number of EU countries.

It is not just about wage cuts at this precise moment in time, but also about a structural weakening of the bargaining position of workers and the role of trade unions.

The demise of the European Social Model would also have ramifications outside of Europe. It would reinforce a type of globalization that has little or no respect for workers' fundamental rights and key ILO conventions.

A few comments on the 3 themes to be discussed:

Colleagues will of course provide more specific input in relation to the three themes but let me initially emphasize a few general points:

On wages & productivity:

One thing that must be stressed regarding the wages and productivity debate is that policy makers need to abandon the wage comparison based on aligning nominal rather than real wages with productivity, which brings with it a deflationary risk or a bias against wage earners in favour of capital income.

We welcome the recognition in the Commission's Discussion Note that robust wages can act as an incentive for employers to adopt more productive and innovative workplace practices. This is an issue that we would have liked to see discussed further.

On wages, employment and unemployment:

It is an illusion to think that we can keep and safeguard jobs by sacrificing wages. In fact this will lead to a loss of jobs, as well as wages. At a time when the economy is characterized by a combination of excess profits or a shortage of aggregate demand, a coordinated wage push across Europe would in fact boost jobs by providing an incentive for companies to invest in order to meet the additional demand.

On wages & inequality:

There has been a general decline in the wage share of income and an increase in inequality within the wage share. This is an unchallenged fact. This process has even accelerated in the wake of the financial crisis. The World Economic Forum's Global Risk Report[1] identifies severe income disparities and chronic fiscal imbalances as the top two global risks of 2013. The ILO's Global Wage Report 2012/12 also confirms that the gap between wage growth and labour productivity growth is widening, the difference between the top and bottom earners is increasing, and the labour income share is declining.

A range of factors account for this increasing gap, but it is not by accident that this pattern has evolved in tandem with the growing imbalance of power between capital and labour, fostered by the weakening of collective bargaining structures and collective representation.

[1] http://www.weforum.org/issues/global-risks

Oxfam International has recently published an extremely good policy briefing on ‘The cost of inequality: how wealth and income extremes hurt us all’[2]. They suggest that while the focus in the last decade has been on ending extreme poverty it is now time to focus on the other half.

Yes, we do agree. It is time to focus on the contribution of extreme wealth to inequality.

The ETUC certainly takes the view that, to achieve balanced and more effective policy-making, more attention needs to be given to the imbalance between senior executive pay and the rest of the workforce, not just in terms of fairness but also the negative impact that high wage disparities within companies can have on productivity and company performance.

ETUC has previously highlighted that wages cuts or wage moderation are not being translated into lower prices but rather into higher profits. In many countries, while the share of profits in GDP saw a slight decrease during the 2009 downturn, since 2010 profits have staged a remarkable evolution.

And yet we continue to face a problem of a lack of investment. Clearly, if such discussions on wages are to be pursued, excessive profits should also be looked at.

ETUC will assess this exploratory conference against the considerations I just made.

[2] http://www.oxfam.org/sites/www.oxfam.org/files/cost-of-inequality-oxfam-mb180113.pdf