

TOGETHER AT WORK

Time to Rebuild Collective Bargaining in Europe





TOGETHER AT WORK

Together at Work is a campaign launched by industriAll Europe to strengthen and defend rights for everyone through collective bargaining.

IndustriAll European Trade Union is a federation of independent and democratic trade unions representing manual and non-manual workers in industry. We speak for 7 million working men and women united within 180 national trade union affiliates in 38 European countries.

Find out more at news.industrial-europe.eu



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Foreword by Luc Triangle

Over the last 20 years, trade-union density has been declining in Europe, and the bargaining position of trade unions and workers has been weakened. The crisis and its harsh political management have accelerated this trend. In the countries under Troika programmes, collective bargaining structures, and mechanisms aimed at extending collective agreements to all workers in a sector, have simply been dismantled. These policies have further contaminated other countries where governments have also interfered to undermine their national collective-bargaining systems.

The results are clear: inequality, in-work poverty, economic insecurity and precarious work are exploding across Europe. The promised convergence between EU countries has not come to pass and distrust towards the EU and governments is mounting. The European project is no longer seen as a driver of social progress.

We need to forge a new model of social justice which reduces income inequalities, supports purchasing power, generates quality jobs and leads to an inclusive society. Trade unions and strong collective bargaining are an essential ingredient of this social model as they deliver fair and collective solutions for all.

Collective Bargaining is a trade union's bread and butter; it is both the fruit of previous struggles and a tool for defending and widening past gains. It gives workers a single voice, securing fair wages and preventing the most vulnerable from falling into precariousness and poverty. Negotiating better working conditions for our members benefits society as a whole.

The power of collective bargaining to regulate labour markets and to ensure a more equal income distribution has long been proven in European countries. Sector-level collective bargaining is a strong feature in the industrial sectors represented by industriAll Europe, with wage solidarity between workers as its cornerstone.

Today, many European countries need to build or rebuild their collective bargaining systems in order to make sure that a large majority of workers will (again) enjoy the protection of collective agreements.

With the European campaign 'Together at Work', we want to promote the benefits of collective bargaining around Europe for workers but also for the economy and society as a whole. We also want to show the way forward and identify the measures needed to support collective bargaining.

Of course, trade unions have to recruit more members, as well as build power across borders, to negotiate from a position of strength and unity. However, employers can no longer refuse to sit at the negotiating table as they have been doing, for instance in some countries in Central and Eastern Europe. They have to shoulder their responsibility and acknowledge that collective bargaining can also benefit companies, creating a level playing field which makes companies and economies more stable.

Finally, trade unions need more political support. The European Commission should stop issuing recommendations aimed at pushing for the decentralisation of collective bargaining to company level. It is about time that the European Pillar of Social Rights delivered on its promises. We need more than political declarations. Through the European Semester, the European Commission must start issuing country-specific recommendations that promote sector-level bargaining by, for example, supporting mechanisms to extend collective agreements.

This campaign will be a vital step towards rebuilding collective bargaining structures ravaged by the crisis, strengthening the capacity and will to negotiate, on both sides, and promoting the wider benefits that collective bargaining brings.

A handwritten signature in blue ink, appearing to read "Luc Triangle". The signature is fluid and cursive, with a large initial "L" and "T".

Luc Triangle
General Secretary of industriAll



At its heart, collective bargaining is when workers come together, in a trade union, to negotiate on an equal footing with their employer.

Collective Bargaining: What It Is, Why We Need It and How We Get It

Depending on which country you're from, collective bargaining may be a more or less familiar term. The jargon hides a fairly simple concept, although big business and governments will nonetheless try to tell you it is convoluted, complicated or outdated.

At its heart, collective bargaining is when workers come together, in a trade union, to negotiate on an equal footing with their employer. This means they aren't picked off one by one by a boss who can fire, demote or underpay an individual worker who stands up for their rights.

Where collective bargaining is undermined or doesn't exist, workers sign individual contracts which are supposedly negotiated between two individual parties—the employer and the employee. But in practice, the employer is in a position of strength compared to the worker and can use that advantage to pay low wages, not provide sufficient holiday, sickness or parental leave, or not ensure health and safety standards.

This is where collective bargaining comes in. As opposed to signing an individual contract over whose terms the worker has little control, workers negotiate as a group and agree terms that apply to all of them. This is called a collective agreement. By negotiating a collective agreement, they can use their joint strength to make sure the employer gives them a fairer deal.

Throughout this report you will find endless examples of how the erosion of collective bargaining has caused misery and hardship for workers. You will also find ample evidence of the benefits it brings, not just for the workers involved but for society at large.

However, in many European countries, collective bargaining has been purposely undermined, and even dismantled, in the years since the crisis. The Troika, composed of the International Monetary Fund, European Commission and European Central Bank, have demanded weaker collective bargaining systems as a condition of bailouts in countries

like Greece and Romania. In effect, workers not only suffered from the cuts in public spending on services, but also lost wages and, in some cases, their jobs, as a result of a crisis that they did not cause.

Governments and the Troika weakened collective bargaining by preventing unions and employers from negotiating terms for whole sectors and occupations. This is known as sectoral bargaining. It is essentially the same idea as collective bargaining in a company, only the negotiations apply to an entire sector or profession. The resulting agreement can often be extended to all companies in a sector, not just those who negotiated the agreement.

Sectoral bargaining makes it more difficult to pit one group of workers against another, because workers doing the same job, in the same industry, get paid about the same. When this happens, companies have to compete on quality and innovation, not on wages. This improves products for consumers whilst guaranteeing a good standard of living for workers.

It sounds like a win-win—and it is. But, unfortunately, big business plotted a way out of the crisis, not by investing and innovating, but by cutting pay and firing employees. Compliant national governments and European institutions seemed more than happy to help by unpicking decades of gains that protected workers' conditions and their right to negotiate.

Austerity politics sought to “decentralize” collective bargaining, reducing negotiation to the company, workplace and even individual level. This undermined the quality of jobs and trapped many workers in a state of permanent precarity and in-work poverty. In most European countries, being in work is no longer a guarantee of a decent standard of living.

But that's not the end of the story. Things are, slowly, starting to change. Workers are standing up and saying enough is enough. Together at Work, the campaign that this report helps to launch, seeks to tell some of those stories of resistance and renewal and show the wider benefits of reinforced collective bargaining for workers, and for Europe as a whole.

The first part of this report provides a brief overview of the history of collective bargaining in Europe. It shows how, in Western Europe, a stable system of negotiation won by workers following the Second World War was undermined from the 1980s onwards and, in many countries, dismantled wholesale in the years following the 2008 crisis. It demonstrates the clear link between stagnant wages and a declining share of national wealth for workers, on the one hand, and weakened negotiating systems, on the other.

This story is then taken up in greater depth with examples from four European countries. They show the differences and similarities in the attacks on bargaining in both East and West, with a particular focus on those states in Southern Europe who suffered at the hands of the Troika.



We then hear from employers. This report argues that collective bargaining provides wider benefits for companies and, in this section, employers themselves testify to their support for solid, negotiated outcomes. Many small and medium businesses don't have the time or resources to negotiate a detailed company-agreement with unions. Many would prefer to rely on a sectoral agreement on wages and conditions, with the possibility of going further at company level, but not having to expend the energy on negotiating every detail. Collective bargaining at sector level also creates a level playing field between companies for wages: other employers are less likely to pinch individual workers and making it more attractive to invest in training over the longer term.

Finally, the conclusion draws on some of the experiences of workers we have met whilst preparing the campaign. As they tell their stories, so too do they tell the story of how negotiated wages, good working conditions and a strong voice in the workplace deliver better, more fulfilling lives to workers across the continent. The real question is: why would any of us not want more of that? ■



Through collective bargaining, trade unions ensure that workers get their fair share of the economic growth that they help to produce, preventing a concentration of wealth in the pockets of shareholders.

A Brief History of Collective Bargaining in Europe¹

- **What is Coverage?** – Collective bargaining coverage refers to the extent to which workers' salaries and working conditions are influenced by a collective agreement concluded between trade unions and employers. It is generally measured as a percentage of employees covered by an agreement out of the total number of wage and salary-earners in a country.
- **Collective Agreement** – A collective agreement is the result of a collective negotiation between trade unions, representing workers, and employers or employers' associations. It is a legally binding contract which sets specific terms and conditions of employment, covering core issues such as pay and working time, but also others like training and skills, equal opportunities, pensions etc.
- **Cross-Sectoral Collective Bargaining** – This type of negotiation generally takes place at the national level between trade-union confederations, which represent workers from all sectors of activity, employers' associations and government representatives. The national cross-sectoral collective agreements concluded during these negotiations generally set minimum standards of working conditions and minimum pay levels for all workers in a country. Countries with cross-sectoral agreements tend to have lower levels of income inequality, like in some Nordic countries or Belgium, whereas countries which lack such agreements have big discrepancies between different categories of workers.
- **Coordinated Collective Bargaining** – Coordinated bargaining takes place when unions join their efforts to achieve common goals or negotiate similar terms with employers by sharing information among themselves. This reduces the possibility of employers pitting workers against each other in a race to the bottom. Coordinated collective bargaining improves working and living conditions for workers, and it is a valuable instrument in the fight against inequality across Europe.

Collective bargaining is the cornerstone of a fair economy. It is central to our welfare states and protects and promotes the social and economic wellbeing of all citizens. Through collective bargaining, trade unions ensure that workers get their fair share of the economic growth that they help to produce, preventing a concentration of wealth in the pockets of shareholders. When a large number of workers are covered by collective agreements, inequality tends to be lower and wealth more evenly distributed across

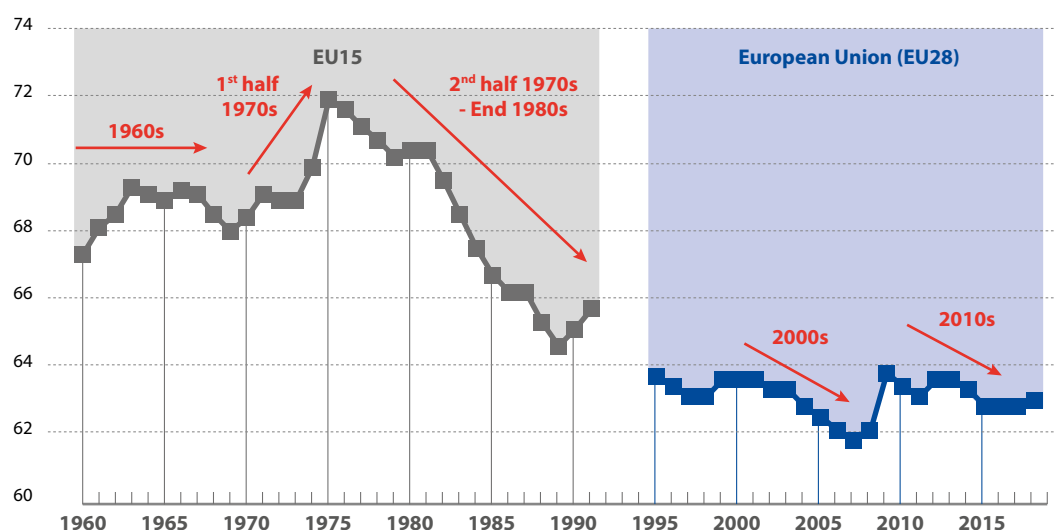
¹ This article is based on: Torsten Müller and Jeremy Waddington (2019): Conclusion: Towards an Endgame.

society. This creates a level playing field for wages—where companies are not trying to undercut each other on the cost of labour—and ensures minimum standards are upheld.

In Western Europe, high coverage was established in the post-war period. Much of this density came from national agreements that covered many sectors, or at least through the coordination of bargaining between different areas of the economy. However, from the 1980s onwards, this trend was reversed, as the collectivist consensus of the post-war years gave way to a resurgence in free-market thinking. Since that period, market liberalisation has taken precedence over social policies. The blind belief in the free market drove wholesale deregulation of labour markets, in the name of flexibility and competition. This led to a decisive shift in the way in which collective bargaining was perceived: if before the 1980s, trade unions and collective bargaining were seen as an integral part of the economy, they were now characterised as outdated, rigid interest groups that hampered growth. With this justification, governments began to break up, and even destroy, the institutions of shared prosperity that underpinned the post-war boom.

Long-term development of the wage share

1960-2018, wages in % of GDP at factor costs in the EU



Source: AMECO (autumn 2018).

Figure 1. Long-term development of the wage share in the EU.
Its decrease is a result of the weakening of CB.

After the fall of the Iron Curtain, prospects of EU membership for Central and Eastern European countries were associated with attempts to establish collective-bargaining systems. However, the free-market agenda in many states attempted to co-opt the nascent labour movements into particular reform programmes, limiting the development of collective bargaining mainly to the company level which, in turn, resulted in lower coverage than in Western Europe. Where national bargaining was established, like in

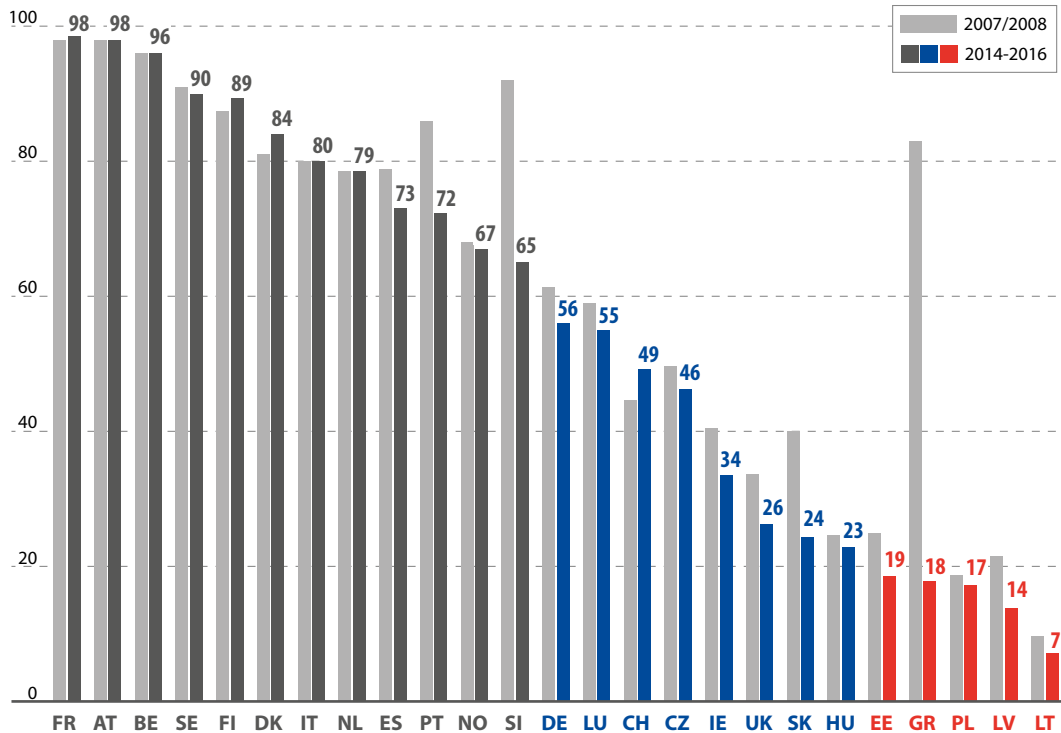
Romania, it was relatively short lived. The intervention of the Troika, formed of the European Commission, the European Central Bank and the International Monetary Fund, dismantled the system. When Central and Eastern European countries opened their markets to foreign investors ahead of the EU accession, foreign employers refused to engage in collective bargaining, despite already negotiating with unions in Western Europe. Instead, they started a race to the bottom, pitting workers from Western Europe against workers from the East, as part of a so-called “mixed-cost strategy.”

Free-market policies had different effects in each country. However, what is common to all is that European policymakers did nothing to arrest the decline of social-market economies in Western Europe and to promote their establishment in new members states. On the contrary, as part of the Troika, they accelerated deregulation and liberalisation of those EU states particularly hard hit by the 2008 crisis. The failure of European policymakers to defend an inclusive economic model in Western Europe, and to establish institutions to create it in Central and Eastern Europe, brings into question the viability of EU policymaking in an area that is supposed to distinguish European economies from other parts of the globe. Collective bargaining is meant to be one of the key factors that underscored this distinction, and guaranteed a fairer model of economic growth.



Collective bargaining coverage before and after the Crisis

2007/2008 and 2014-2016, in %



Source: OECD, ILO.

Figure 2. CB coverage before and after the 2008 crisis.

Its decrease is a result of the attacks on CB by national and European policymakers.

The assault on collective bargaining has substantially weakened the regulation of wages. Sectoral collective bargaining helps to eliminate unfair competition because it establishes the same minimum standards and creates a level playing field for wages. In much of Western European, wages in the private sector were once largely shielded from competition by means of sectoral and national collective bargaining. This is no longer the case. In Central and Eastern Europe, wages were never regulated in this way. The widening wage gaps between European countries, and between workers within countries, are a consequence of this weakening of collective bargaining.

European policymakers used to be among the most fervent proponents of dismantling collective bargaining in the name of flexibility and deregulation. However, more recently there have been signs of a change in attitude, as wages are no longer seen merely as a cost factor that needs to be reduced, but also a means of boosting internal demand, thereby promoting social cohesion and bolstering economic growth. Politicians are again beginning to recognise the important role played by trade unions in negotiating a fair share for workers. The EU has recently adopted a new set of principles for social policy, dubbed the European Pillar of Social Rights (EPSR). This includes an explicit commitment to encourage workers and employers to conclude collective agreements.



However, we need more than nice words. Whilst in the area of social policy European institutions are making some of the right noises, the annual economic recommendations issued by the European Commission continue to support the decentralisation of collective bargaining.

This is yet another wasted opportunity to roll back the assault on collective bargaining. Whilst we can hope that a new European Commission will take a different approach, it shows the need for strong and well-organised unions. In the end, it is the workers themselves, organised in their unions, who can force employers to the table and pressure governments to support the principle of good wages safeguarded by strong collective agreements. ■



The consequences of austerity on Romanian society were disastrous. In 2009, over 40% of the population was living at risk of poverty. Being in work no longer guaranteed a basic standard of living, since in-work poverty affected 34% of employees.

Romania: If It Ain't Broke, Let the Troika Fix It²

A decade after the introduction of austerity measures in Romania in 2009, the country's population, particularly its workers, are still enduring the consequences of a crisis that they did not cause. The case of Romania clearly illustrates how multinational companies, supported by favourable policies from the European Union, push a race to the bottom in Eastern countries, pitting one group of workers against another.

In 2009, the Troika, composed of the European Commission, the European Central Bank and the International Monetary Fund, loaned Romania €20 billion on the condition that they implemented austerity measures. In order to satisfy the Troika's demands, the centre-right government led by Prime Minister Emil Boc passed a law which:

- obliged managers to reduce personnel costs by 15%;
- cut the wages of all public employees by 25%;
- cut the pensions of retired people by 25%;
- cut additional bonuses, end of year bonuses, meal vouchers and rent subsidies; due to these cuts, **Romanian workers were left 50% poorer than before**;
- froze in the national minimum wage;
- increased VAT from 19% to 24%.

The consequences of austerity on Romanian society were disastrous. **In 2009, over 40% of the population was living at risk of poverty.** Being in work no longer guaranteed a basic standard of living, since **in-work poverty affected 34% of employees.**³ Wage cuts, combined with the opportunity to work in other EU states, have led to massive emigration since 2008, keeping the unemployment rate fairly low, while leading to labour shortages in most sectors. **Around three million people have emigrated** over the past 25 years, more than half since the crisis. The austerity law remained in place until 2017, while the 25% cuts were gradually reversed by 2015. However, these changes did not lead to marked improvements: in 2017, 34% of the population were still living in poverty, while 26% were affected by in-work poverty.

The nightmare for Romanian workers does not end here. **Foreign investors, supported by the Troika, lobbied the centre-right government for a more 'flexible' market.** Although labour-market regulation was not considered a cause of the crisis in Romania, the demand for labour-market deregulation was one of the conditions for getting financial assistance from the Troika. What followed was a wholesale decentralisation of the

² This article is based on: Aurora Trif and Valentina Paolucci (2019): The transformation of collective bargaining in Romania since 2000: from legal support to frontal assault?.

³ <http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do>

labour market through the Social Dialogue Law 62/2011 which **completely dismantled the collective bargaining system in a country which used to have one of the best functioning in the region**. This was a win for the foreign investors who had bought many state-owned companies in the 2000s, after the privatisation process was simplified and it became clear that Romania would join the EU. This was a perfect fit for their “mixed-cost” strategy in which high wages and high-skilled workers are attracted to and kept in the West, while low-wages are guaranteed in the East.

Before the 2011 Social Dialogue Law abolished national collective bargaining and made sectoral collective bargaining impossible, wage scales were set through collective agreements at national or sectoral levels. So when these were removed, **the number of workers on the minimum wage almost quadrupled between 2011 to 2016**. Suddenly the wage differences between people with higher qualifications and the ones without disappeared, pushing many to migrate.

Before the Social Dialogue Law, **Romania used to have a system that protected workers**: where collective agreements could be concluded at national, industry (or other subdivisions) and company levels and were automatically extended to cover all employees. Meanwhile, the favorability principle ensured that agreements could only improve the provisions set at a higher level and the Labour Code obliged employers to negotiate with unions in a number of areas, such as on workload, and changes in job classifications and working time. There was a provision to ensure wages, working hours and working conditions could be covered by company-level agreements whilst national and sectoral agreements covered a wide range of issues from wage scales to procedural rules.

Following the new Social Dialogue Law, Romania switched to a voluntary system which was much more favourable to the bosses (see boxes 1 and 2).

As a protest against the Social Dialogue Law the unions withdrew from most tripartite bodies. Even the employers’ organisations joined the unions in their protest (four of the largest employers’ organisations covering almost two-thirds of the active labour force) by withdrawing from the national tripartite institutions in 2011. The employers were against the law because its provisions ended their role in national negotiations. From their point of view, national agreements maintained social peace and set minimum labour standards to ensure fair competition between their members. The unions organised protests in 2010, but nothing changed.

No new industry-wide agreement was signed in the private sector between 2011 and 2015. Collective bargaining for groups of companies however survived in highly unionised parts of the private sector, such as metalworking, where it takes place only at sub-sectoral and company levels and covers around 10% of the companies that were under sectoral agreements before 2011. In non-unionised companies it is often difficult to enforce even the minimum legal standards.

However, there is still a very dim light at the end of the tunnel, as a law to reform the disastrous 2011 Social Dialogue Law is currently being discussed in the Romanian Par-

liament. Hope dies last. It is yet to be seen if the current social-democratic government will make the necessary changes to improve the situation for workers and for the whole of society.

Box 1

Problems with the New Social Dialogue Law:

- **The law limits the right to organise by making it impossible to unionise workers in companies with fewer than 15 employees** (90% of companies in 2012 in Romania). Before 2011, 15 employees in the same profession could form a union.
- **It prohibits national collective agreements. Their absence led to a reduction in collective-bargaining coverage in Romania from 98 % in 2010 to 35% in 2011.** Although this provision of the Social Dialogue Law violates International Labour Organisation Convention 98, it was strongly supported by the Commission and the IMF.
- It made it very difficult to negotiate sectoral agreements. Social partners had to re-register with the local courts to prove their representativeness in new, redefined sectors with more stringent representative requirements. While most union federations regained their representative status, only 7 employers' federation had re-applied by the end of 2012. Some saw this as an opportunity to exit their associations. This led to a major decline in collective bargaining coverage: **the number of sectoral agreements fell from 20 in 2008 to 7 in 2014. No new sectoral agreement was concluded between 2011-2015.**
- It abolished the automatic extension of sectoral agreements.
- **It made it far more difficult to negotiate company agreements by raising the representativeness threshold for unions from 33% to 50%.**

Box 2

How the New Social Dialogue Law Limits the Right to Strike

- it obliges the conflicting parties to seek conciliation before a strike can start
- it introduces a peace clause removing the option of calling a strike whilst an agreement is in place, even if the provisions are not implemented
- workers involved in industrial action lose all their employment rights, except their health insurance, while previously they lost only their wages
- union reps also used to be protected against dismissal for two years after completing their mandate, while under new law they are no longer protected after their mandate ends
- this led to a major decline in industrial action in Romania, which had the highest strike activity in the region before 2008.



The current post-bailout period offers an opportunity to turn things around. It is now up to the government to reform the labour system and restore collective bargaining to ensure that workers get their fair share of the recovery.

Greece: Destroying Collective Bargaining as a Tool of Austerity⁴

2018 marked the end of the third and last IMF-EU bailout program for Greece. After years of harsh austerity, during which workers were forced to pay the price for the crisis, there is finally hope on the horizon.

The bailout programs imposed deep structural reforms on the country. It changed the industrial-relations system from one that protects workers to one that favours big business. Collective bargaining was dismantled, preventing a fair distribution of profit and wealth through negotiations between trade unions and employers. In the absence of fairly negotiated wages, pay was cut by up to 20% and unemployment skyrocketed to 27%, with young people especially hard hit as young unemployment topped 36,6%.⁵ Moreover, a third of the population was pushed into poverty,⁶ affecting even those in work with 12% of those employed living in poverty.⁷ Many emigrated causing a huge shortage of workers, especially skilled ones, with around 700,000 people leaving in search for a better life since 2011.⁸

However, the current post-bailout period offers an opportunity to turn things around. It is now up to the government to reform the labour system and restore collective bargaining to ensure that workers get their fair share of the recovery. So far, the previous, left-wing government had taken some steps in the right direction by once again extending sectoral agreements to all employers, something which was suspended in 2011. This means that employers who have not signed an agreement must still ensure their workers get the benefit of them, meaning better conditions for workers and an incentive for employers to participate in negotiations. The former Labour Minister, Effie Achtsioglou, had declared that restoring the collective-bargaining system was a priority. However, it remains to be seen if the newly elected centre-right government continues this path or reverses the reform process.

⁴ This article is based on: Ioannis Katsaroumpas and Aristeia Koukiadaki (2019): Greece: 'contesting' collective bargaining, 2000-2016; Nikolaos A. Papadopoulos (2018): Labour law reforms in Greece during the Eurozone crisis: Here to stay?.

⁵ <http://www.statistics.gr/en/statistics/-/publication/SJO02/>

⁶ http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=ilc_peps05&lang=en

⁷ http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=ilc_iw15&lang=en

⁸ <http://www.statistics.gr/en/statistics/-/publication/SPO15/>



From a System that Protected Workers...

Before the crisis, the Greek industrial-relations system was characterised by labour standards that were in line with ILO and European norms. Law 1876/1990 set the general framework for collective bargaining:

- it limited the intervention of the state and ensured the autonomy of the social partners in defining the working conditions and the minimum wage in a national general collective agreement applying to all workers;
- the conditions laid down in the national agreement could be further improved through sectoral/occupational agreements, which could be extended to all workers by the Labour Minister, including to workers in companies which were non-signatories;
- the system was governed by the principle of favourability which ensured that in all cases the provisions most favourable to the worker prevailed;
- unions had a unilateral right to arbitration in case of a labour conflict, which would result in a legally binding ruling equivalent to a collective agreement.

...To a System Benefitting Big Business

The bailout programs dismantled a system that had provided workers with much-needed protection and instead fragmented collective bargaining and weakened trade unions, resulting in bargaining coverage falling from around 80% in the pre-crisis period to 17.8% in 2016:

- the national and sectoral collective bargaining was dismantled: the hitherto automatic extension of coverage of a collective agreement was abolished, a temporary suspension of sectoral/occupational agreements was introduced for the duration of the bailouts. Company-level agreements were given priority, even if they contained provisions which were less favourable to employees;
- a clear attack on trade unions was the establishment of associations of persons, an employee-representation body posed as an alternative to the union (but without the corresponding safeguards for independence), which was given the right to bargain on working conditions and conclude company-level agreements that could contain inferior provisions for workers than sectoral or national agreements;
- the unions' unilateral recourse to arbitration was abolished and was replaced by a requirement for consent by both parties, and the arbitration scope was drastically reduced only to matters concerning basic monthly or daily wage;
- dismissals, including collective redundancies, were made easier by drastically reducing the notification period and compensation pay by up to 50%;
- flexible forms of work were facilitated by increasing the maximum duration of fixed-term contracts from 12 to 36 months;
- new working-time provisions were enacted which decreased overtime pay.

The third and last bailout program prohibited any return to the previous system and insisted that any new initiative of the government must respect the creditors' agreement.⁹ It is high time the IMF-EU Troika acknowledged that collective bargaining is not the problem, but part of the solution to the Greek crisis.

There is a clear link between the dismantling of collective bargaining and the growth in unemployment and in low-paid and precarious work, both of which continue to impede Greece's full recovery. A functioning economy is based on good working conditions and a decent pay, where workers can afford a good life. What is needed is a collective bargaining system ensures that workers get their fair share of the growth they help to produce. Workers, together with their unions, need to act now! ■

⁹ <https://www.consilium.europa.eu/en/press/press-releases/2017/06/15/eurogroup-statement-greece/pdf>



The major German industry unions, such as IG Metall and IG BCE, are working to strengthen collective bargaining by strengthening the power of unionisation.

Germany: Strengthening Union Power and Political Support for Bargaining¹⁰

In Germany, the process of decentralising the collective bargaining system also began after an economic crisis, but in this case, it was the one that followed the reunification of the country in the 1990s. In the period between the 1950s and mid-1990s, between 80 and 90% for all workers were covered by a collective bargaining agreement, as a result of the inclusive collective bargaining system. However, since the mid-1990s, there has been a continuous decrease in coverage leading to erosion: in 2018, only 46% of workers throughout Germany were still covered by a collective agreement. During the same period, German unions also lost members, with union density decreasing from 32% in 1993 to around 17% in 2016 (OECD) over all sectors on average. In 2018, with 59% of all employees but only 28% of companies covered by a sectoral collective agreement or company agreement, the manufacturing industry in West Germany was above this average level. Two conclusions stand out: that the larger the company, the higher the unionisation rate and that after reunification, collective agreements were not as successful in the East as in the West of Germany. After the reunification boom, up until the mid-2000s, Germany suffered from weak economic performance and had one of the highest unemployment rates in Europe. The prevailing opinion was that this economic weakness was due to the “overregulation” of the labour market. Employers especially criticised the system for not allowing enough flexibility at company level. It was in this context that the decentralisation of collective bargaining began, with sectoral agreements increasingly including “hardship” clauses, whereby companies obtained the right to derogate from sectoral standards in exchange for the safeguarding of jobs. However, over time, the criteria for activating these clauses were no longer restricted to the danger of bankruptcy, but were extended to all kinds of situations, including improving competitiveness.

The worst hit came in 2003 when the Red-Green government announced its notorious Agenda 2010 which included a comprehensive programme for weakening labour market regulation. The former Chancellor, Gerhard Schröder, threatened to intervene in collective bargaining through the introduction of a statutory opening clause if the bargaining parties were not able to reach an agreement themselves on more opportunities for companies to derogate from sectoral agreements. In 2004, in order to avoid this, IG Metall (the biggest trade union in the metal sector) and Gesamtmetall (the biggest employers’

¹⁰ This article is based on: Thorsten Schulten and Reinhard Bispinck (2018): Varieties of decentralization in German collective bargaining.
Thorsten Schulten (2019): German collective bargaining – from erosion to revitalization?.



association) concluded the Pforzheim Agreement which created space for companies to derogate from sectoral agreements whilst maintaining social-partner control over the process. The implementing rules and the limitation of the duration of the derogations allowed both to stabilise sectoral collective agreements and secure jobs.

The 2008 crisis hit the metal industry hard, as orders and production fell dramatically and employers demanded wage restraint. Meanwhile, unions felt that job security was the priority whilst also refusing wage freezes. In this context, many companies resorted to the regulation of short-time work, which had been extended under pressure from trade unions and employers specifically because of the crisis. Temporary working-time reduction models were also used to ensure employment in times of underuse of the facilities. These instruments for reducing working time have yielded positive results, particularly in the steel industry.

Generally speaking, the major German industry unions, such as IG Metall and IG BCE, are working to strengthen collective bargaining by strengthening the power of unionisation. Experiences with this approach have proven positive. Companies without a collec-



tive agreement were led to reach a company agreement (as a platform) and/or pushed to join the employers' association, or those companies wishing to leave were retained in the employers' association.

Collective agreements fulfil a wider social function of regulating working conditions and, in this way, perform a wider public service. The benefits for society as a whole are especially visible in Germany, where **studies have identified the decline in bargaining coverage as the single most important reason for the growing wage inequality** (Felbermayer et al. 2015). The German Structure of Earnings Survey shows **a close relationship between collective bargaining coverage and wage levels**: workers in the two lowest earning quintiles have a coverage of only 27%, in contrast to 66% of workers in the highest wage quintile. It is therefore also the responsibility of the state to ensure favourable conditions for bargaining.

In Germany, the autonomy of the social partners is critically important, particularly in view of negative experiences, due to the intervention of authoritarian regimes (binding arbitration under Chancellor Brüning, wage setting by the state under the fascist dicta-

torship). In contrast, there is nothing against trade unions also securing political support to strengthen collective bargaining. Chancellor Angela Merkel spoke at the IG Metall and IG BCE Congresses in favour of strengthening collective bargaining and pledged to support trade unions in this regard.

In sectors where trade union organising power is weak, collective bargaining can also be supported by policy instruments. One major instrument is the extension of agreements to otherwise uncovered firms, what we call a legally binding declaration, like in Belgium, France, Netherlands or Finland. The various German unions have been demanding political measures to strengthen collective bargaining. These calls seem to be reaching the ear of political actors. In 2014, the “law for the strengthening of collective-bargaining autonomy” included a legal package that introduced a statutory minimum wage and facilitated the extension of collective bargaining:

- the statutory minimum wage has been regarded as an instrument to strengthen bargaining, as it establishes a general wage floor, limiting the downward pressure on collective bargaining. But obviously in some sectors, employers saw the minimum wage as a substitute for collective agreements;
- the high precondition of extending sectoral agreements only if it already covered 50% of all workers has been replaced with a vaguer provision that the agreement must be of ‘predominant importance’;
- however, no change in the rule that extension needs to be approved by the National Collective Bargaining Committee where three representatives from both unions and employers all have veto powers.

The strengthening of trade union power and their strength of conviction are basically the most lasting instrument for strengthening collective agreements. ■



ZÁKAZ VSTUPU
K ROTOJÍCÍM VÁLCOVÁNÍM



Even though Spain never received a bailout from the Troika, the Spanish government still implemented its recommendations. Since 2010, Spain has undergone a process of intense labour law modification that weakened the collective bargaining system.

Spain: Workers Punished for a Crisis Not of Their Making¹¹

A decade after the 2008 financial crisis, Spain still ranks second when it comes to unemployment in Europe with a rate of 15% after Greece at 19%.¹² Before the crisis, the country's employment rate was booming, reaching 66% and placing Spain top of the class in the European labour market.¹³ But this situation reversed after 2008: during the past decade 2.3 million people have lost their jobs, accounting for 37% of total job losses in the EU28. Young people were particularly hit, as 55% of the ones aged under 25 were unemployed during the peak of the crisis in 2012.

The crisis had enormous consequences for Spanish society, hitting workers especially hard. Workers were, in fact, the ones who produced the continuous economic growth between 1994 and 2007, which had led to the Spanish employment boom before the crisis (during that timeframe unemployment decreased from 22% to 8%). Yet it was workers who were expected to pick up the bill for the crisis through austerity measures and structural reforms imposed by the Spanish government and EU-IMF troika. The result was savage wage cuts and increasingly precarious working conditions.

The Troika presented a program of budget adjustment and structural reforms which was accepted by the Spanish Socialist government and strengthened by the Conservative one that followed. Even though Spain had never received a bailout from the Troika, the Spanish governments still implemented its recommendations. Since 2010, Spain has undergone a process of intense labour law modification that weakened the collective bargaining system.

The labour market deregulation carried out by Spanish governments at the recommendation of the Troika introduced flexibility which created more instability for workers, by allowing the introduction of different types of contracts like short-term or temporary ones. It also reduced wages and cut many of the benefits of previously enjoyed with permanent contracts. This increased precarious work and created a dysfunctional model that is socially unfair and economically unproductive.

¹¹ This article is based on: Carlos J. Fernandez Rodriguez, Rafael Ibanez Rojo and Miguel Martinez Lucio (2019): Spain: challenges and continuities within collective bargaining in a context of fragmentation and neoliberal reform.

Fernando Rocha (2018): Strengthening the decentralisation of collective bargaining in Spain. Between legal changes and real developments.

¹² http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=une_rt_a&lang=en

¹³ <http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do>

The Pre-Crisis System

Before the crisis, Spain had an effective system of collective bargaining which made sure that workers got their fair share of the productivity gains they help produced:

- Collective agreements frequently established wage indexation rules that ensured the purchasing power of wages are not affected by inflation;
- The extension principle ensured that agreements automatically applied to all workers in the sector. Such sectoral agreements guaranteed that minimum standards in terms of wages and benefits applied to all workers in a sector. This prevented companies from free-riding and increasing their competitiveness by offering lower wages or fewer benefits;
- The previous agreements were automatically renewed in the absence of a new agreement, therefore increasing the willingness of employers to negotiate.

After the Crisis: A System Rigged Against Workers

The measures taken by Spanish governments and the EU-IMF Troika weakened collective bargaining and decreased workers' protection, favouring employers instead:

- After the 2012 reform, an element of intimidation of trade unions crept in with pressure on strikes and picketing, and lawsuits initiated at the request of public authorities;
- Collective bargaining was decentralised: company agreements were given absolute priority over sectoral or national ones. This made it possible for employers to circumvent the previously minimum protections provided by sectoral agreements;
- The reforms also introduced lower dismissal costs for employers, which led to the huge unemployment crisis and enabled employers to reduce wages without union consent;
- The automatic renewal of agreements was restricted to a maximum of two years, after which all established rights from previous agreements were terminated.

These changes have encountered huge opposition from trade unions and wider society, with two general strikes in 2012. However, the situation did not change. **There is one exception in the chemical sector**, where the CCOO and UGT unions have managed to ensure the conclusion of a sectoral agreement which covers around 3000 companies. But in other sectors, like the metal sector, bargaining has been much more difficult, especially with the car industry also facing outsourcing.

In 2018, the government promised to restore the primacy of sectoral agreements over company agreements on issues such as pay and working time, and also the validity of collective agreements after expiry. Workers are still waiting to see these promises become reality.




Meanwhile, the European Commission refuses to acknowledge the benefits of national and sectoral bargaining for our economies and societies. It continues to push for the break-up of national and sectoral negotiation in their regular recommendations to member states, including Spain.

The new Spanish government should ignore these as long as the Commission continues to bury its head in the sand. Rather, it should listen to the needs of workers who are the backbone of the Spanish economy and key to its recovery after the crisis. Without stronger collective bargaining at sectoral and national level, it is impossible for workers to negotiate a fair deal for themselves and their families. ■





A woman with long, straight blonde hair is the central focus of the image. She is wearing a black sleeveless top and a thin necklace. She has a slight smile and is looking towards the camera. The background is a blurred industrial setting, likely a garment factory, with overhead lights and machinery visible. The text is overlaid on the lower left side of her torso.

“Collective bargaining is a “win-win” situation where both workers and employers gain something [...] The most important thing is that the workers are content, because what makes a factory successful is its qualified workers – if you have qualified workers you have high-quality products.”

Laura Moiescu, general manager of a garment factory in Reșița, Romania

Employers Around Europe Support Collective Bargaining

“Collective bargaining is a “win-win” situation where both workers and employers gain something. The dictatorship died 30 years ago, so the most important thing is that the workers are content, because what makes a factory successful is its qualified workers – if you have qualified workers you have high-quality products. As long as the workers are happy, they will deliver good quality and high productivity.”

“Sectoral collective bargaining would be of great value to us, because it would create stability and prevent unfair competition, because workers are leaving for even ten euro more. I tried to speak to all other employers in the region and to cooperate in order to prevent unfair competition, but without any results, so something like a sectoral agreement would solve many of my problems.”

Laura Moiescu, general manager of a garment factory in Reșița, Romania

“In many European countries, collective bargaining plays a prominent role in determining working conditions and regulating the employment relationship. Social partners set wages and working conditions that meet their needs. They are best placed to decide on how to share the wealth created between workers and employers, ensuring at the same time a fair distribution of wages among all workers and creating a level playing field for companies.

During the crisis, social partners made the difference. In countries, where they developed innovative solutions to deal with the downturn in economic activities while retaining the skilled workforce, labour markets proved to be more resilient. Faced with the overriding issue of digital transformation which is affecting all aspects of our private lives and is heavily impacting the world of work, social partners have a responsibility to break new ground and contribute to shaping the future of the world of work. For that we need strong, representative, mandated and autonomous social partners, at plant, local, regional, national or even European level and provide solutions for companies and workers.”

Uwe Combüchen, General Secretary, CEEMET European Tech & Industry Employers

“The better and constructive collective bargaining negotiations on the national level, the better partnership among social partners and, thus, a spill over effect on the EU level.

Collective bargaining promotes trusting cooperation with works councils and trade unions. This is a tool to achieve value-driven business.

With rapidly changing working life due to, amongst others, digital transformation, calls for more flexibility, and need for constant reskilling and upskilling, collective bargaining is an effective tool to tackle these challenges”

Emma Argutyan, Director General, European Chemical Employers’ Group

“Collective bargaining in Germany is guaranteed by our constitution. In practice, the culture of collective bargaining in Germany is by no means homogenous, though. It varies strongly along the lines of branches and the jurisdiction of the respective trade union.

For our industry, as we bargain with our social partner, the IG BCE, we do also follow a pragmatic, constructive approach for the collective bargaining. In our opinion, this has been proven a successful approach: On one hand, there are a high number of employers who apply the collective agreements (nearly 100%). This ensures the trade union that negotiated results are put into force effectively. On the other hand, industrial action against the employers is considered unlikely in our branch. In this sense, we consider it the right approach to bargain for nationwide collective agreements for the paper industry. This means, that in the paper industry in Germany the negotiated results basically are put into force in all paper mills in Germany.”

Raphael Gutwein, German Paper Industry Employers’ Association, a member of CEPI at European level




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Whilst we can bemoan the hostile political environment that undermines collective bargaining and point to its societal advantages, the personal stories are sometimes the most illustrative of why collective bargaining needs defended and extended.

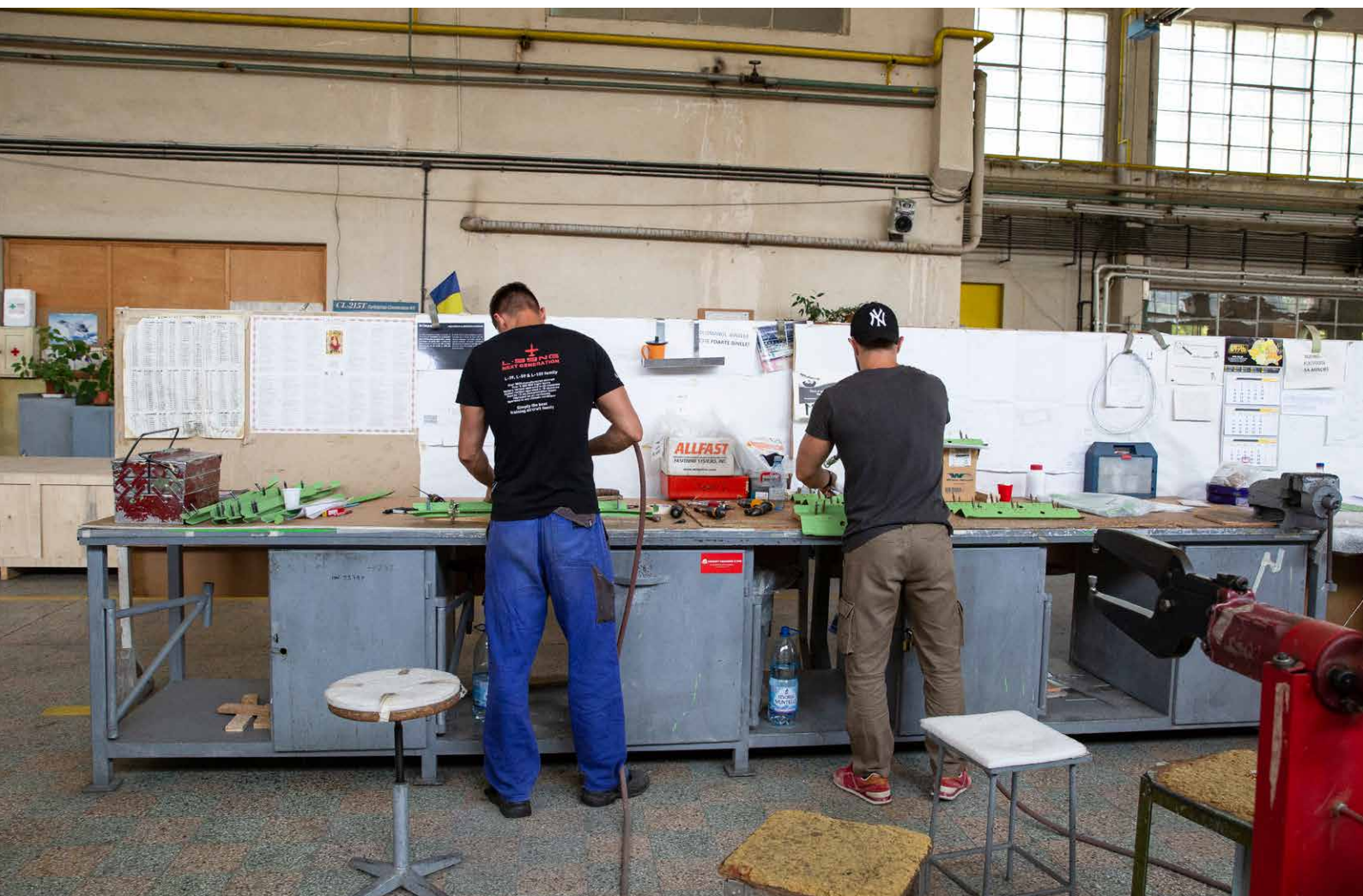
Conclusion: Collective Bargaining – Good for Everybody

When workers combine to negotiate with their employer on a stronger footing, they win better lives for themselves and their communities. There is a wealth of evidence to support this, much of it clearly set out in the preceding pages. When the systems that enable and underpin collective bargaining are eroded or removed, wages and living standards fall. The examples of countries subjected to Troika austerity programmes illustrate this. So too does the correlation between the longer term decline in bargaining coverage and the stagnation of living standards and social mobility in much of Western Europe.

It can, however, be difficult to see the wood for the macro-economic trees in this argument. Whilst we can bemoan the hostile political environment that undermines collective bargaining and point to its societal advantages, the personal stories are sometimes the most illustrative of why collective bargaining needs defended and extended.

Nathalie works in a small plant making sterile surgical supplies in the south of Belgium. Her colleagues urged her to become the shop steward four years ago: “They said: you get on well with people and you’ve got the gift of the gab. They knew I was a bit of a rebel and wasn’t afraid of men, so I thought why not? I wanted to defend my colleagues’ rights.”

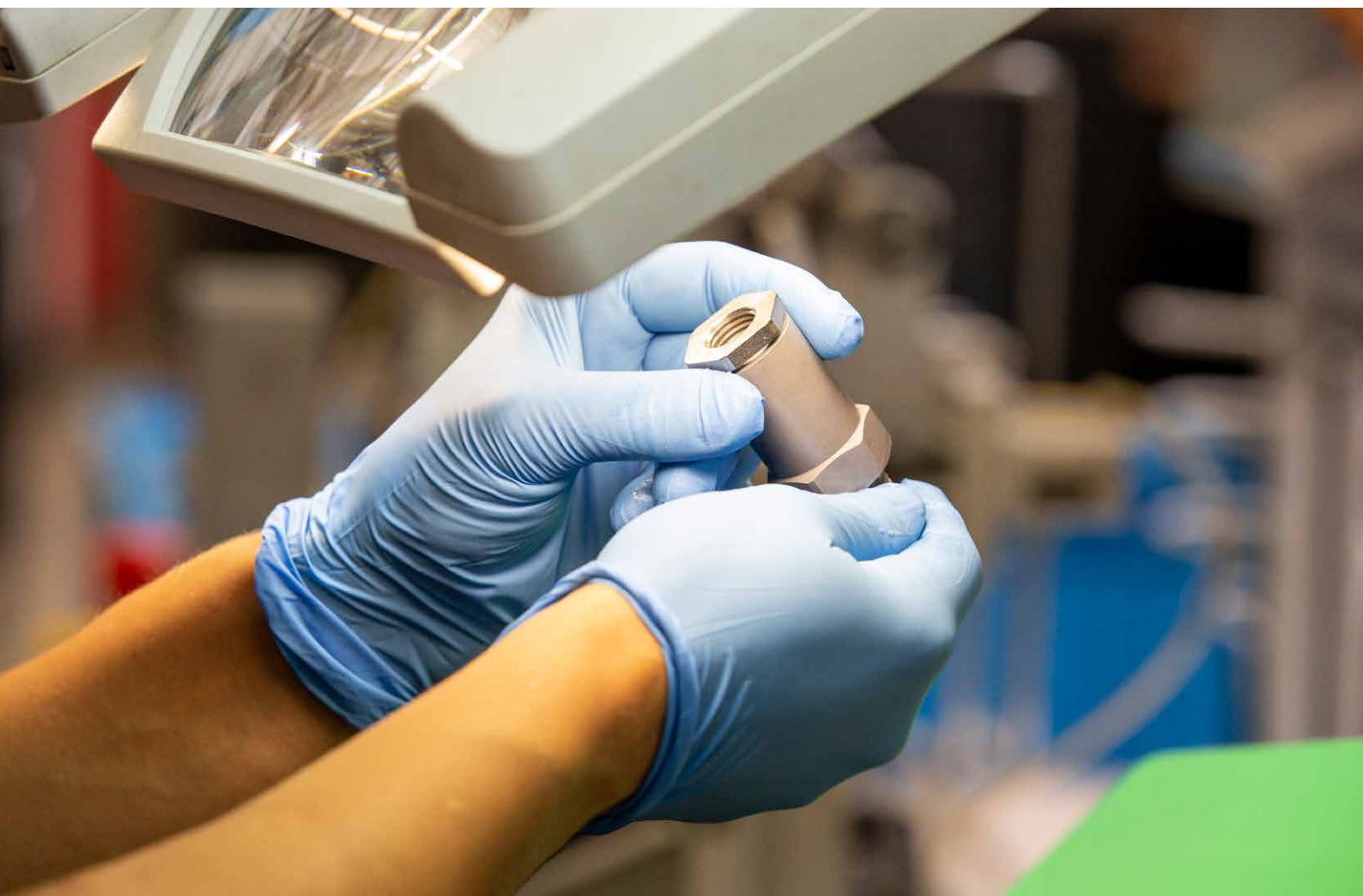
A few years later, a new management took over the plant. “We had negotiated a reduction of working time from 40 hours to 37 hours a week with the old management. The big boss of the new multinational came to visit, with his director of HR, and they threatened us with going back to the forty-hour week.” But, by working together and organising amongst the workers, they held strong. “We got all the workers together and... they voted to keep the 37 hour week.” Faced with such strength of feeling, management had to back off. “It might not seem like much but three hours, for a woman, is a lot... It’s time won to spend with our families.”



Unions need to organise and engage their members, but governments need to allow for an environment that fosters this—and companies need to negotiate, seriously, with unions and respect the agreements reached.

Sébastien, a negotiator at federal level in Belgium, emphasised the importance of sectoral agreements which ensure a minimum standard for workers in all companies, whether they have a company agreement or not.

At one glass factory in French-speaking Wallonia, a strong union presence has ensured a good company agreement that gives workers advantages such as extra days of holiday than in the sectoral agreement. Another, similar plant in the Flemish-speaking region doesn't have a company agreement: "we're one of those small companies that doesn't have a company agreement, so we really need those protections," says Rudi, a trade-union delegate at the plant. "The workers here really rely on the bonuses, the improved conditions provided by the sectoral agreement. Wages haven't gone up in the last few years, so the workers need the extra supplements, like meal tickets and end-of-year bonuses, to top up their wages."



Romania and Spain, where once there was a developed system of sectoral bargaining, have seen their wages collapse since this set-up was effectively abolished in the wake of the crisis.

Gabriel Stanescu has worked for the trade union representing workers at the Romanian oil company, Petrom, since 2005. He was previously an oil worker with Petrom himself. He witnessed the dismantling of the collective bargaining system in 2011, and he has a very clear picture of how this has affected the workers and the entire society. He explained that “the new Social Dialogue Law (see page 21) has done away with many trade union rights, especially by abolishing national and sectoral level collective bargaining, which ensured the existence of wage hierarchies, so that workers would be paid according to their qualification.”

The disappearance of higher-level bargaining had a huge impact on workers and society as a whole, because highly and semi-skilled workers started to be paid the same as unskilled workers. Gabriel gave the example of engineers who “started to receive the minimum salary, whereas before the national and the sectoral agreements ensured that

they get at least 20% or 30% extra.” He said that “some people think that the unions lost the collective agreements, but it was the government that cut everything and the unions had to start from scratch and fight for a right that they had won long ago and that was simply taken away from them. Normally, you already have a right, then you get something extra, you don’t lose it.”

The same sensation of being sent back to square one exists in Spain: where solid sectoral agreements once set a minimum floor for wages, now there is a race to the bottom. At Inditex, the company that owns and produces the Zara brand, amongst others, unions negotiate with the employer on a workplace-by-workplace basis, allowing the company to restrict any gains to one site and pit groups of workers against each other within the group. At the multinational’s Ateixo site in Galicia, shop stewards explained how difficult industrial relations were at the company. But they also underlined that the unions are campaigning for single negotiations to cover the entire group throughout Spain. This would allow workers to combine their strength and win improvements for this underpaid, and predominantly female, workforce.



Not far away, in Ferrol, workers at the Navantia shipyard have shown what a positive negotiated outcome can look like. Now when workers retire, their posts are maintained and young workers employed to work in them, with a guarantee that 75% will be permanent contracts. This ensures continued, quality jobs in a region that suffers from high unemployment.

However, as this report has shown, it is not just the workers themselves who benefit from negotiation, but also employers. No one puts it better than Laura Moisescu, manager of a textile plant in Romania, when she states “as long as the workers are happy and pleased, they will deliver good quality and high productivity.” She was particularly keen on a return to sectoral bargaining in her country as “it would create stability and prevent unfair competition [between companies], since workers are leaving even for ten extra euros.”

The data backs her up: countries with more centralised, coordinated bargaining systems tend to have lower wage gaps between top and bottom, and thus reduce inequality because sector-wide agreements prevent wage competition driving down salaries within the sector and counters the trend of companies paying less of their profits in wages. Countries with sectoral bargaining also enjoy higher employment and lower unemployment, particularly amongst vulnerable groups like young people and women. This was demonstrated most recently by the OECD, previously an advocate of decentralisation, who has shown the wider economic benefits of strong, sectoral bargaining.¹⁴ Sectoral wage scales mean ‘equal pay for equal work’ and incentivise companies to organise the workplace in a better and more productive way, improving overall economic efficiency. Meanwhile, small and medium businesses save costs on the time-consuming process of negotiating at company level.

These benefits, for workers, employers and wider society, are the central arguments of industriAll’s campaign to promote collective bargaining. ‘Together at Work’, which will run from September 2019 to March 2020, will provide resources to educate policymakers and employers whilst strengthening the power of workers across Europe to get their employers to the table and agree fair deals.

The seven-month campaign will choose different moments to highlight the stories of workers who have benefited for collective bargaining. Too often, in the midst of technical arguments about bargaining coverage and wage differentials, the voices of ordinary people get lost. Our campaign, Together at Work, will seek to remedy this.

It will also connect workers’ real-life stories with the wider economic and social case and take those arguments, both personal and political, to decision makers and companies across the continent. ■

¹⁴ See: *OECD 2018 Employment Outlook*



Recommendations

Points for unions – Strengthening collective bargaining from below:

- ✓ Unionise workers and organise workplaces as means of building trade union power and enforcing collective agreements coverage
- ✓ Pursue the establishment of collective agreements in sectors and companies with low coverage
- ✓ Criticise the lack of coverage and raise awareness of the benefits of collective bargaining
- ✓ Exchange organising experiences with other unions
- ✓ Support unions in other countries, especially where they organise in the same companies

Points for employers:

- ✓ Respect trade union and workers' rights at workplaces everywhere in Europe—including in Eastern Europe. This means allowing unions to enter workplaces, organise workers and engage into the negotiation of collective agreements
- ✓ Be open and engage constructively in social dialogue at all levels—company, sectoral and national
- ✓ Talk publicly about the benefits of collective bargaining for employers
- ✓ Join employers' associations in order to be covered by the collective agreements



Points for policymakers– Strengthening collective bargaining from above:

- ✓ Encourage the extension of collective agreements coverage in all sectors and for all categories of workers
- ✓ Fully implement the ILO conventions and Council of Europe decisions on the right of access to collective bargaining in all Member States
- ✓ Support regulatory frameworks for sectoral and cross-sectoral collective bargaining
- ✓ Include clauses that ensure companies providing public contracts participate in collective bargaining
- ✓ Adopt a public discourse on the value of collective bargaining
- ✓ Guarantee the access of non-standard and self-employed workers to collective bargaining
- ✓ Use the European Semester Cycle, the European Pillar of Social Rights and the Multiannual Financial Framework to force governments and social partners to put in place well-functioning collective bargaining structures
- ✓ Stop pushing for forced decentralisation of collective bargaining and respect the autonomy of social partners
- ✓ Allocate dedicated EU and national funding for capacity building for social dialogue and collective bargaining



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