

**EPSU: ON COURSE TO BECOME A
COMPETENCE AND COORDINATION CENTRE**

**Results of a Survey of Monetary Union
and Collective Bargaining**

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With the support of

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1. Introduction

In 1993, the ETUC issued a statement entitled "Orientation for Collective Bargaining and Prospects for the Development of Social Dialogue", emphasising the fact that, under the future conditions of the European Economic and Monetary Union, it would be necessary for wage policies to be coordinated at European level. Transnational coordination would represent a significant addition to social dialogue at a European level; one which could be developed and extended independently by the trade unions. Coordination of this kind must be developed primarily at a sectoral level and is above all the responsibility of the European industry federations. The ETUC's role here is that of coordinator between the federations.¹

A summarised representation of the social dialogue demonstrates that the unions already have at their disposal concrete possibilities for influencing socio-political development in Europe. However, the common European currency will necessitate a further area of union action: that of effectively countering the potential threat of "wage dumping" (see inter alia EPSU 1997).

Level	Three-party dialogue	Bilateral dialogue	Transnational coordination of unions
Macro-economic dialogue	ETUC-UNICE/CEEP ² and EU Commission	ETUC-UNICE/CEEP	Coordination at ETUC level
Sectoral dialogue	EPSU – CEEP and EU Commission	EPSU - CEEP	Coordination at EPSU level

In the three-party dialogue, the social partners, in accordance with the Maastricht Treaty on the EU (and the Treaty of Amsterdam, which is about to come into force), have extensive information and consultation rights regarding all of the Commission's socio-political measures. As a rule, consultations end in three-party negotiations in which unions and employers (UNICE for private industry; CEEP for the public sector) exert a sustained influence on the Commission.

Bilateral dialogue can be organised wholly at the discretion of unions and employers. However, it is lent crucial institutional support by the fact that, at the joint proposal of the ETUC, UNICE and CEEP, the European Council passed the so-called Social Chapter of the Maastricht Treaty which has now been incorporated into the Treaty of Amsterdam. According to the Social Chapter, the social partners can declare that they intend to settle a socio-political measure proposed by the Commission independently in bilateral negotiations. If such negotiations fail, the Commission may continue with the measure. If, on the other hand, the social partners reach an agreement, they are free either to implement their agreement independently or – and this is the specific feature of the

¹ In September 1998, the European Industry Federations were invited by the ETUC to take part in an initial extensive exchange of experiences in Klagenfurt. There it emerged that of the 14 Federations only six had begun to create the conditions required for future coordination. In the EMF (European Metalworkers Federation), measures for coordinating wage policies are relatively far advanced.

² ETUC: European Trade Union Confederation, UNICE: Union of Industrial and Employers' Confederations of Europe, CEEP: European Centre of Enterprises with Public Participation

Social Chapter - to make a joint application to the Commission and Council to have the agreement accepted as an EU-wide directive. To date, the two bilateral framework agreements on parental leave and part-time work have been accepted as directives using this method. Further results of bilateral dialogue on both general and sectoral levels include well over 100 joint statements and recommendations and a series of sectoral agreements.

The socio-political potential of the unions for influencing socio-political development in Europe is far from exhausted, however. It is important that the unions set up transnational coordination within their own areas so that they can participate in the social dialogue on the basis of concepts and strategies which have been elaborated and coordinated at a European level. As an interim step, the unions' European organisations will first have to develop into competence and coordination centres with the medium-term aim of becoming social protagonists on the European stage.

The development of European policy in recent years has been dominated by preparations for the introduction of the single European currency. Accordingly, the focus to date has been on convergence programmes. With the resolution of the European Council of 3 May 1998 on the irreversible introduction of the Euro as the joint currency in, initially, 11 of the 15 member states of the EU as of 1.1.1999, interest shifts to the question of the consequential effects which Europe's new monetary system will entail. The unions face the problem of having to react to wage policy recommendations which the European Commission has developed for the Euro monetary area (EU Commission, Recommendation on the Broad Guidelines of the Economic Policies of the Member States and of the Community, Document COM 1998, 279 final, Brussels 13.5.98).

Table: Convergence status in the states of the Euro area

	Inflation January 1998	Deficit as % of GDP 1997	Debt ratio as % of GDP 1997	Exchange rate March 1998	Long-term interest rates January 1998
Reference value	2.7 ^(e)	3.0	60.0	Participation in ERM	7.8
B	1.4	2.1	122.2	Yes	5.8
D	1.4	2.7	61.3	Yes	5.6
E	1.8	2.6	68.8	Yes	6.3
F	1.2	3.0	58.8	Yes	5.5
IRL	1.2	-0.9	66.3	Yes	6.2
I	1.8	2.7	121.6	Yes	6.7
L	1.4	-1.7	6.7	Yes	5.6
NL	1.8	1.4	72.2	Yes	5.5
A	1.1	2.5	66.1	Yes	5.6
P	1.8	2.5	62.2	Yes	6.2
FIN	1.3	0.9	55.8	Yes ^(k)	5.9
EUR	1.6	2.4	72.1		6.1

The public sector unions face a particular challenge since, in European Monetary Union (EMU), the two fiscal criteria (deficit and debt ratio criteria) continue to exist and the further consolidation of

public finances has a restrictive effect on the state scope for action, particularly in the relationship between public employer and employees.

Against this background, the EPSU carried out a survey among its member unions in order to show

- (a) whether and to what extent EMU has already affected national collective bargaining and
- (b) whether the transnational collaboration of public sector unions meets the requirements laid out by EMU.

This report focuses first on the EU Commission's wage policy guidelines, goes on to review the results of the survey and finally puts forward for discussion recommendations for the future work of the EPSU.

2. The wage policy recommendations of the EU Commission

The Maastricht "Treaty on European Union", which came into force on 1 November 1993, containing the agreements for the introduction of Monetary Union, made provisions for a preparatory phase of several years. The convergence criteria defined the accession terms for the member states. The national convergence programmes which the individual member states applied in order to achieve price stability, low interest rates, exchange rate stability, consolidation of public finances, and to ensure the independence of national central banks and the joint European Central Bank (ECB) were by no means undisputed, but ended in the result which had for some time seemed impossible - agreement that the Euro will be introduced on 1 January 1999. Single Market and Euro form the non-monetary and monetary poles of the now firmly established European Economic and Monetary Union.

The successful implantation of the European monetary and currency constitution created a new macroeconomic framework which defines the regulatory framework for union policy. In its "Recommendations on the Broad Guidelines of the Economic Policies", the EU Commission described its vision of a growth and stability-oriented strategy with commendable openness. Because of its sustained significance for the unions, particularly the public sector unions, a review is provided here:

- a) The Commission speaks of the necessity of a macroeconomic policy mix, comprising three components: stability-oriented monetary policy, solid budgetary policies and a wage policy tailored to these aims: "The overall macroeconomic policy mix of the Euro-area will result essentially from the interaction of the single monetary policy on the one hand and the specific budgetary developments and wage trends in the participating countries on the other." The development of wages therefore has a crucial influence on inflation, growth and employment. In the European economic area with Monetary Union - according to the Commission - the connection between wages and employment will be clearer and more stringent than has been the case to date, where the situation has been dominated by the Single Market and a variety of currencies. Because the Commission believes that European Economic and Monetary Union will create a stability-oriented macroeconomic framework, which will foster appropriate wage behaviour, it requires the social partners to refrain from any action which would affect the stability goals of monetary policy. The Commission warns the social partners against wage

increases which are not consistent with price stability, referring to the sanctions available to the ECB. The ECB has the option of pursuing tighter monetary policy with high base rates and tighter resources, which would inevitably lead to losses where growth and employment are concerned.

- (b) In the Commission's view, a responsible wage policy pursued by the social partners must observe the rule that the upper limit for wage increases does not exceed the sum of the inflation goal pursued by the ECB and the growth in productivity. In other words, the wage formula under the terms of EMU specifies that real wage increases must not exceed the rise in productivity. **The Commission's wage policy recommendations can be interpreted in a more restrictive manner. It is stated that real wage increases must take into account the need to strengthen the profitability of companies and hence their "capacity-enhancing and employment-creating investments". Jacques Delors had already made a similar proposal in the 1993 White Paper "Growth – Competitiveness – Employment", suggesting that real wage increases should be kept one percent lower than the growth in productivity in order to achieve additional employment effects (Commission 1993).**
- (c) The Commission places particular value on this wage formula to differentiate the mean Euro area according to state, branches of industry and qualifications.

The Commission makes several notable comments on public services. It stresses the fact that the member states of the EU have committed themselves in the Stability and Growth Pact to the medium-term objective of budgetary positions close to balanced or even surplus. In the Commission's view, it is only by observing these specifications that the state's economic room for manoeuvre can be regained, public debt ratios be reduced and investment activity encouraged. In this context, the Commission recommends a restructuring of spending in favour of public investments in infrastructure and human capital, an increase in efficiency of public services and the reduction of budget deficits through spending cuts rather than tax increases.

- (d) Since the Commission makes the social partners responsible for wage development, it favours social dialogue on all levels so that unions and employers can also recognise their role in the macroeconomic policy mix: "At the Community level, the Commission will continue to develop the social dialogue, notably on macroeconomic policy issues. Furthermore, in the framework of the strengthened economic policy coordination, there is a need to establish credibility and a climate of confidence between the major policy actors which could be reinforced by regular dialogue between the social partners on the one hand and the authorities responsible for budgetary and economic policies on the other."

In summary, the Commission recommends to the social partners a wage formula as a guideline for wage policy development which is neutral in regard to inflation and distribution. The Commission's wage formula ensures the participation of employees in productivity progress and thus implicitly rejects neo-liberal ideas, the aim of which is to keep real wage increases below the growth in productivity in the name of competition-oriented wage policy. The notable factor is the Commission's offer to include the social partners in a confidence-building network of three-party consultations.

3. The results of the survey

In mid-April 1998, the EPSU sent out a questionnaire to all of its 150 member organisations. The 15 individual questions focused on two major areas: the repercussion of the Single Market and Economic and Monetary Union on the national collective bargaining process and transnational cooperation between unions.

A total of 27 unions from 16 states responded. These can be broken down on a regional basis as follows:

Euro area: 14 unions from 8 states

Other EU states: 6 unions from 3 states

Non-EU states: 7 unions from 5 states

Since only 18% of the registered member federations responded, the results cannot be seen as fully representative. In the group of EU states, no replies were received from unions in Belgium, Luxembourg, Portugal and Greece. There was also a lack of response from major member unions such as the FO (France), CC.OO. (Spain) or the DAG (Germany). In the very heterogeneous group of non-EU states, the replies came from Norway, Turkey, the Czech Republic, Bulgaria and Croatia.

It is notable that ten of the total of 27 replies came from the Nordic states. This group, however, does not represent a closed block since Finland belongs to the Euro area, Denmark and Sweden are EU members who are not participating in EMU and Norway is not a member of the EU. This means that the results of the survey are only slightly, if at all, distorted towards the Nordic area. It can be seen that the dividing line is not marked by belonging geographically to Scandinavia but by economic affiliation to the Single Market or to Monetary Union.

Despite the poor representation, the results of the survey can be seen as a reliable gauge of the significance of European Economic and Monetary Union for the unions. This applies particularly to the EU member states. In this respect, the results of the survey are meaningful findings and represent a solid basis for the recommendations regarding the future work of the EPSU.

List of unions which returned the questionnaire.

Euro area:

GÖD - Gewerkschaft Öffentlicher Dienst	Austria
Gewerkschaft der Gemeindebediensteten	Austria
Union of Professional Social Workers	Finland
KTV - Trade Union for the Municipal Sector	Finland
Fipsu - Finnish Public Sector Union	Finland
TEHY - Union of Health and Social Services	Finland
CFDT – INTERCO	France
Gewerkschaft ÖTV, Hessen District	Germany

Gewerkschaft ÖTV, Headquarters	Germany
CISL – FIST	Italy
CGIL – FP	Italy
Abvakabo	Netherlands
Civil and Public Service Union	Ireland
UGT – FSP	Spain

Other EU states:

STK-Association of State Employees' Organisations	Denmark
Danish Confederation of Municipal Employees	Denmark
Kommunal	Sweden
Swedish Association of Health Professionals	Sweden
UNISON	Great Britain
NIPSA	Great Britain

Non-EU states:

KFO	Norway
Norsk Kommuneforbund	Norway
Wood, Forestry and Water Workers' Union	Czech Republic
Trade Union of Health Service and Social Care	Czech Republic
Podkrepa	Bulgaria
Trade Union of Workers in Health Service	Croatia
Enerji - Yapi Yol Sen	Turkey

3.1. Focal area: Economic and Monetary Union and the collective bargaining process

3.1.1. The answers to the general introductory question as to whether the Single Market and Economic and Monetary Union had played a role in the collective bargaining process with the employers were as follows:

Played a role	Euro area	Other EU states	Non-EU states
YES	12	1	0
NO	2	5	7

The findings are clear: the unions in those states which have worked to participate in EMU feel that the economic integration of Europe has had an effect on the collective bargaining process. This also applies to the two (Finnish) unions which initially answered No but referred to the three-party "Agreement on Counter-Cyclical EMU Buffers" (see 3.1.2.).

Unions from the other EU states overwhelmingly feel that, as yet, no discernible effects can be seen in their national collective bargaining processes. There are no exceptions here - including unions from states which do not belong to the EU.

The results show that there is a substantial difference between the major influence of Economic and Monetary Union on the collective bargaining process in the Euro area and its minor influence in other states.

3.1.2. The replies to the follow-up question regarding the arguments given by employers in the national collective bargaining process can be broken down into three categories:

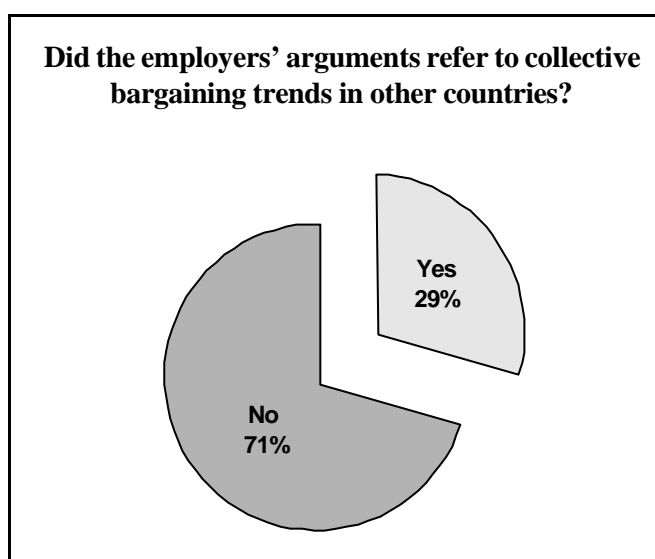
- (a) **EMU-centred** arguments are clearly predominant. The convergence programmes of the EU states, ensuring that the criteria for participation in Economic and Monetary Union were observed in time, played a dominant role. For the public sector, the two fiscal criteria (deficit and debt ratio criteria) were of primary importance since the public sector employers exerted major pressure on public service employees and unions by means of rationalisation, personnel cuts and the strict capping of wage increases. The responses clearly show that the collective bargaining process was affected to a significant degree by the preparations for Economic and Monetary Union.
- (b) **Single Market-centred** arguments form the second group of responses. Those cited include directives for perfecting the Single Market (local public transport, energy, telecommunications, airports) which are associated with effects on the wage and working conditions of the employees in these areas.
- (c) Other arguments encompass a wide spectrum of general problems resulting from the Europeanisation of the economy. Those cited include, for example, the securing of international competitiveness, increased flexibility requirements and the hiving off or privatisation of public undertakings.

Special mention should be made of the "Agreement on Counter-Cyclical EMU Buffers" (SAK 1997) drawn up in Finland between the social partners and with the inclusion of the government. The essential features of this three-party agreement are as follows: since it is no longer possible for individual states within the Euro area to react to abrupt downturns in the economic and employment situation with devaluation; Finland wants to create a substitute in the form of an "internal devaluation". Existing or newly established funds (Employment Pension Stabilisation Fund; Common Unemployment Insurance Fund) have been designed in such a manner that they are topped up during boom periods and made use of in a cost-cutting and counter-cyclical manner during recessions, the contributions to be paid by the companies simultaneously being reduced. A more detailed description of the concept can be found in the conference documents. Although only the Finnish unions referred in detail to the agreement reached within their country and only the Irish union pointed to three-party agreements, there may be comparable agreements in other countries

(Fajertag/Pochet, 1997).

3.1.3. The vast majority of the unions responded negatively to the question on whether employers' arguments referred to collective bargaining trends in other countries.

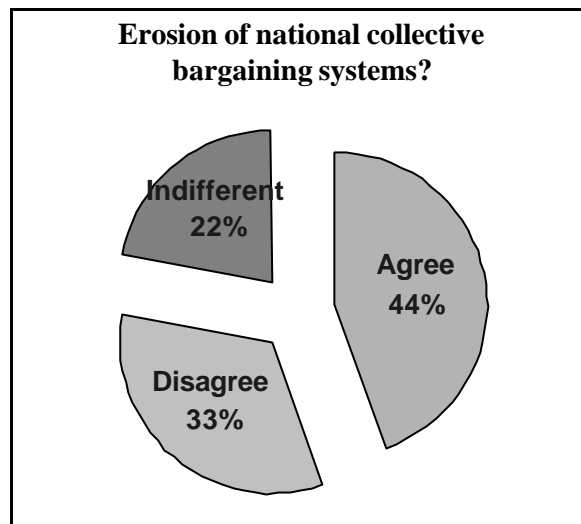
Reference made	Euro area	Other EU states	Non-EU states	All states
YES	4	0	3	7
NO	9	6	4	19



3.1.4. The final question in the focal area "EMU and collective bargaining processes" asked whether, in the opinion of the unions, the sovereignty of national collective bargaining systems had already been eroded:

Erosion of sovereignty	Euro area	Other EU states	Non-EU states	All
Agreed	7	2	3	12
Disagreed	6	3	0	9
Indifferent	1	1	4	6

The results of the survey produce a very inconsistent picture. Uncertainty as to the extent of the erosion of national collective bargaining systems is counterbalanced by the clear expectation that in future the European component will increase in significance where wage policy is concerned (see 3.2.3.).



3.2. Focal area: "Transnational cooperation"

3.2.1. The questions whether the unions were in touch with or had cooperation relations with unions in other countries clearly showed that, while many contacts had been set up, there was little established, solid cooperation.

Contacts	Euro area	Other EU states	Non-EU states	All
YES	11	6	4	21
NO	3	0	3	6

Several unions stated generally that they were in touch with many other unions. In general, however, most unions listed the names of the unions with which they were in contact. However, cross-checking showed a lack of reciprocity. In other words: union A states that it has contact with union B; but union B does not list union A under its contacts. This leads to the supposition that - as some of the replies explicitly state - bilateral contacts are sporadic rather than continuous, precarious rather than stable. The exceptions here are the Scandinavian unions, which mutually state that they exchange information and maintain contacts within the framework of the Nordic Trade Union Council (NFS).

The general finding that existing contacts have not yet been transformed into solid cooperation relations is confirmed by a significant absence: none of the unions appear to have set up a cooperation agreement, partnerships or joint working groups with another union. The clear conclusion is that transnational union cooperation is presently at best in a rudimentary form.

It should be noted that some unions refer to the EPSU via which they have contacts with other unions or wish to strengthen these contacts. It is proposed that working groups are formed with specific areas of interest or focusing on specific areas of the public sector. In essence, the expectation is being formulated here that the EPSU will be developed into a European information

and coordination centre.

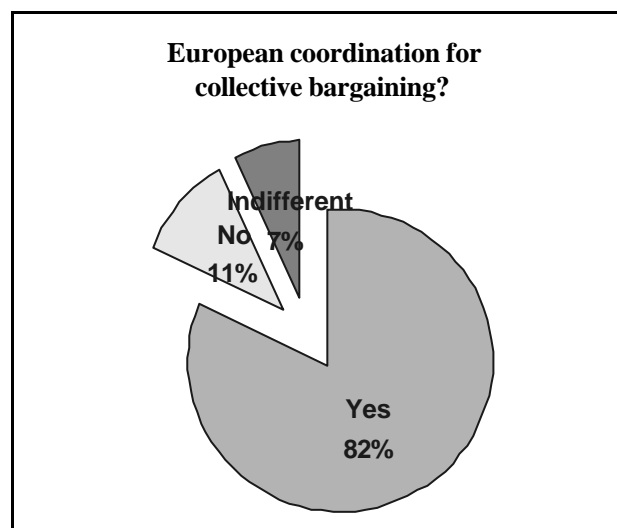
3.2.2. Against this background, it is surprising that the response to the question on whether the unions have information about collective bargaining results in other countries is overwhelmingly positive. 21 of a total of 27 unions claim to have information of this kind. In view of the primarily bilateral contacts and the low level of transnational cooperation, it must be assumed that the knowledge about the wage policy situation in other countries is restricted both in quantity and depth. This is reflected in those responses which refer explicitly to the low level of information.

In two instances, the respondents called for the EPSU to play a greater role in distributing collective bargaining results.

3.2.3. The statement that, in future, collective bargaining would be dependent on more European-level coordination met with strong agreement.

More co-ordination	Euro area	Other EU states	Non-EU states	All
Agreed	13	2	7	22
Disagreed	1	2	0	3
Indifferent	0	2	0	2

Individual responses note that European coordination should be restricted to a subsidiary framework coordination and that the mandate to conclude collective bargaining agreements must remain at a national level.



3.2.4. The two follow-up questions were intended to determine at which levels and for which areas the European coordination of collective bargaining in the public sector would be useful and desirable. The responses clearly show a need for European coordination at all levels and across the whole range of wage policy issues. The results of the survey highlight the large gulf between the perceived necessity for universal coordination and the, to date, rather modest level of transnational cooperation.

- (a) The unions feel that European coordination would be useful both for the overall area of the public sector and public services and for individual areas. Whether a union favours intersectoral coordination or coordination for individual segments such as water and energy, local authority employees or health care workers clearly depends on the organisational structure of the union in question. It is interesting that two responses cite a need for coordination at multinational level, to which the EU directive on EWCs applies.
- (b) Where the important areas for future coordination are concerned, issues dealing with wage norms and working hours are considered the most important. Two thirds of all unions state this. Equal mention is given to minimum standards in matters such as participation and co-determination rights, health and safety in the workplace, equal opportunities for men and women, atypical working conditions, and training. In addition, the responses show a whole range of further problems where it is felt that coordination is needed so that these can be dealt with by the unions: reform of the public services, restructuring of the public sector, public-private partnerships, concurrency of public and private companies, the role of multinationals, environmental protection, etc.
- (c) The unexpected and surprisingly high perception of the need for coordination gives rise to the question of who should provide this coordination. Although this was not included in the survey, some unions put forward notable proposals. These tend towards the establishment of "advisory bodies at European level" in the form of working groups, committees, consultative bodies or advisory groups. The EPSU is also expected to further social dialogue. In essence what is being demanded here is that the EPSU becomes a coordination organiser.
- (d) The final question as to whether there is increasing demand from Trade Union officials to obtain more information on European affairs was answered positively by all unions.

The attempt to gauge the mood within the public sector unions based on the results of the survey produced the following conclusions:

On the one hand, the Europeanisation enforced by the Single Market and Monetary Union is viewed with great apprehension and caution since the associated changes in public sector industrial relations are seen as restrictive and a threat to social standards. This attitude explains the low degree of transnational cooperation achieved between the unions to date.

On the other hand, the sense of reality is well enough developed to recognise that the challenges which Europeanisation entails can no longer be adequately met with national resources alone, requiring instead a qualitative, new level of European coordination.

4. Recommendations

Three groups of proposals for improving the work of the EPSU are put forward below, the three focal areas in question being the review of deficiencies, the improvement of inter-union communication and the role of the EPSU.

4.1. Review of deficiencies

We strongly recommend that working groups and advisory bodies are set up deal with the deficiencies in the content and strategies of union policy which were highlighted in responses to the survey. The work of the 4 existing Standing Committees of the EPSU (National Administration, Health and Social Services, Public Undertakings, Local and Regional Government) should be reviewed and, if necessary, realigned to coordinated wage policy tasks.

- (a) The priority is the setting up of an **"Advisory Board on Collective Bargaining Policy"**. Its task is to work out wage policy strategies and guidelines for the public sector under the terms of European Economic and Monetary Union, the state consolidation and restructuring programmes as well as the economic recommendations of the EU Commission. A further task is to develop a concept for Europe-wide minimum standards.
- (b) We feel that the setting up of an **"Monitoring centre for wage policy development in the public services"** for the EPSU member federations is of equal importance. Its task would be to draw up a regular report on collective bargaining, if possible on a yearly basis.
- (c) We recommend that a pilot project is started to coordinate collective bargaining policy. A pilot project of this kind should be restricted initially to one concrete sector.
- (d) Single Market-centred problems such as in the area of local public transport, ground services at airports, in the water and energy sectors or in the area of waste management should be dealt with thematically in specific working groups. The aim is to build up networks for transnational cooperation.

4.2. Improvement of communication

The fact that the work of the 4 Standing Committees, which, as we are aware, has produced many results to date, did not receive a single mention in the responses to the survey is a sign that internal union communication is still underdeveloped.

- (a) We recommend that the reports on the results of European committees, advisory bodies and working groups are made available to interested colleagues in the unions, public administration and public undertakings in the form of a series of pamphlets or via the Internet.
- (b) We recommend workshops to discuss the results with local union representatives. It is vital that European issues filter through the circle of Europe experts at union headquarters to grass-roots level. It is important that European issues are more strongly integrated into the training programmes of the EPSU member unions.
- (c) Continuous collaboration with academics is also important. This will have a two-fold effect. On the one hand, it will allow use to be made of academic expertise, and on the other hand it should lead to academics incorporating European issues into their teaching and research more closely than to date.

4.3. The role of the EPSU

The disparity between the high demands of the European coordination of union policy and the under-equipped state of the EPSU where competence and resources are concerned must be overcome.

If the EPSU is to meet the high coordination requirements and need for a higher level of transnational cooperation called for in the results of the survey even half way, then the responsibilities and competencies of the EPSU must be extended and its human, technical and financial resources increased.

We feel that there are three development options for the EPSU:

- (a) Development into a **coordination centre**. This would mean that the EPSU would, in future, be responsible for the organisation of European coordination rather than for working on the content.
- (b) Development into a **competence centre**. The more successful the coordination, the greater will be the expertise with which the EPSU will be able to contribute to negotiations in the context of Social Dialogue.
- (c) The setting up of a European system of industrial relations requires the strengthening and development of the EPSU to create a competent action centre. Seen in perspective this must include the ability of the EPSU to draw up European wage agreements as a supplement to national wage policies.

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APPENDIX 1: SURVEY

Economic and Monetary Union and Collective Bargaining Which directions for the EPSU ?

12 June 1998

Survey: Please return directly to ETUI before 28 May 1998
Fax: Reiner Hoffman, +32 2 224 05 02

Name of the organisation:

Name of the contact person:

Position in union:

Fax-No.:

Telephone:

E-mail:

Address:

- 1. Have the Single market and the Economic and Monetary Union (convergence criteria) played a role in the collective bargaining process with the employers in your sector?**

yes ☐

no ☐

- 2. In which sector:**

local government ☐

national administration ☐

health care ☐

social services ☐

utilities (energy/ water/ waste) ☐

other:

- 3. If yes: what are the main arguments given by the employers?**

.....

.....

.....

.....

.....

4. Are other forms of political influence being exerted on collective bargaining policy in the run-up to Monetary Union ?

yes ☐

no ☐

And how ?

.....

.....

.....

.....

5. Did the employers' arguments refer to collective bargaining trends in other countries?

yes ☐

no ☐

6. Are you in touch with Unions from other countries to exchange collective bargaining experiences?

yes ☐

no ☐

7. If yes: with which other Unions do you have co-operation relations on determining collective bargaining issues ?

.....

.....

.....

.....

8. Do you have information about collective bargaining results in other countries?

yes ☐

no ☐

Please give your opinion on the following statements

9. The sovereignty of national collective bargaining systems has been eroded.

Strongly agree ☐

Agree ☐

Indifferent ☐

Disagree ☐

Strongly Disagree ☐

Don't know ☐

10. In the future collective bargaining will entail more European-level coordination.

- Strongly agree ☐
- Agree ☐
- Indifferent ☐
- Disagree ☐
- Strongly Disagree ☐
- Don't know ☐

11. Coordination of European collective bargaining policy will take place *most useful for your union* at

- Intersectoral level ☐
- Sectoral level ☐
- Other level ☐ such as.....

12. The most important areas for future coordination of collective bargaining at European level are:

- Working time issues ☐
- Wage norm ☐ (eg. inflation plus productivity correction)
- Minimum Standards ☐ such as on.....
- Other areas ☐ such as on.....

13. There is an increasing demand from Trade Union officials to get more information about European affairs.

- Strongly agree ☐
- Agree ☐
- Indifferent ☐
- Disagree ☐
- Strongly Disagree ☐
- Don't know ☐

14. There is an increasing demand from Trade Union members to get more information about European affairs.

- Strongly agree ☐
- Agree ☐
- Indifferent ☐
- Disagree ☐
- Strongly Disagree ☐
- Don't know ☐

15. What are the main areas of interest?

- Wages/salaries ☐

Working time []

Working conditions []

Employment levels []

Collective bargaining structures []

in other countries

Other [] such as

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APPENDIX 2: CONTRIBUTION OF G. FAJERTAG, ETUI

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Some preliminary remarks on recent trends in collective bargaining and industrial relations: from industrial relations in Europe to European industrial relations?

By Giuseppe Fajertag, ETUI Senior Research Officer

When analysing recent trends in Europe we cannot avoid to observe that, since 1992, collective bargaining developed under two major constraints: a) the attempt to reduce extremely high unemployment rates and b) the pressure on wages and welfare systems resulting from the need for national governments to comply with the economic and financial convergence criteria of the Maastricht Treaty.

Given the need to tackle the same problems all over Europe, trade union bargaining strategies have been fairly similar. Wage moderation has been widely accepted (sometimes unilaterally imposed) as part of general incomes policies or of more ambitious “social pacts” aimed at reconciling economic growth, investment and competitiveness with employment protection/creation, and socially acceptable reforms of the welfare state. This approach is, however, often in conflict with the employers’ strategies which tend to reject centralised wage determination in favour of a maximum decentralisation of the bargaining process.

On the unions’ side, the Europeanisation of industrial relations implies a significant degree of co-ordination of bargaining policies, mainly at the sectoral level. Some progress in this direction has been made by the European unions and the European industry federations, even if the approaching deadline for the European single currency undoubtedly calls for a much more active role on their part.

Starting from 1996 some important developments in the direction of the gradual creation of a European system of industrial relations have been taking place at the national and sectoral level. I was mentioning recently, in assessing the results of last year's collective bargaining round in Europe, that the European unions are increasingly confronted by pressures to adjust their bargaining policies to conform with the economic and monetary dynamics stemming from the national convergence programmes adopted by many governments in order to proceed with the implementation of EMU. Those pressures became even stronger during 1997 and will grow further during 1998. Apart from Denmark and the UK that have opted out, Greece that clearly does not meet any of the Maastricht criteria and Sweden that has renounced joining, all the other EU Member States have in fact qualified for entering EMU since 1st January 1999. As a consequence, national governments' policies on taxation, public spending, investment and inflation are inevitably affecting the collective bargaining process at

all levels, including the wage determination mechanisms.

A clear example is provided by Belgium. In this country, after the failure of tripartite negotiations on a social pact (the so-called "Future Pact for Employment"), the government adopted in July 1996 a law reforming the wage bargaining system (law on "preventive safeguarding of competitiveness and the promotion of employment") for 1997-1998. The new law makes it possible to negotiate wage increases up to a maximum based on the average wage increase in Belgium's three main trading partners, Germany, France and the Netherlands. This maximum is then used as the ceiling for all talks at lower bargaining levels (i.e., sectoral and company).

In this way, a "European wage area" has been de facto put in place for the very first time. The unilateral decision by the Belgian government to link wage increases to the wage developments in its three neighbouring countries could have the foreseeable consequence of prompting the trade unions of the four countries to hold specific meetings to exchange information and to co-ordinate their wage bargaining strategies.

The 1997 bargaining round developed in most European countries under the "EMU constraint". At the beginning of 1997 the European GDP growth outlook was mildly optimistic, even if it was extremely uncertain how many countries could meet the EMU deadlines on time under the internal pressure arising from unprecedented and growing unemployment rates. At the national level, in most cases, economic policies gave absolute priority to reducing public debt and inflation.

By the end of the year it was clear that economic recovery was confirmed. The upturn in economic activity was mainly exports-driven. Internal demand was still expected to follow allowing for improvements in private consumption and especially investment.

GDP in the EU (see table 1) as a whole increased from 1.8% in 1996 to 2.6% in 1997 and should grow by 3.0% in 1998. As it was already the case in 1996, with the exception of the United Kingdom and Spain where growth was above the EU average, all the other major European economies performed below that average: 2.5% in Germany, 2.3% in France and 1.4% in Italy.

The changed economic outlook, with economic recovery gradually gaining speed in most European countries since the beginning of the year, did not produce any major impact on the 1997 collective bargaining round in terms of both claims and results. In effect, in most European countries wage developments for 1997 resulted from central and sectoral agreements signed in the previous year(s).

Even if some timid improvement in employment creation took place during the year, unemployment rates, as a European average, remained at almost the same levels of 1996. Some positive results in reducing unemployment were achieved in the Netherlands, Denmark, Finland, Spain, Portugal, the UK and Ireland. No improvement or even a further worsening in comparison to the levels of 1996 was registered in Germany, France, Italy, Sweden and Belgium.

Reducing inflation rates was a top priority for all those EU countries that wanted to qualify for immediate or fast (in the case of Greece) accession to monetary union. Lower than expected inflation rates positively affected real wage developments. Real wages (see table 2) increased by 1.1% on average but with relevant differences from country to country: the increase was at around 4% in Greece and Ireland, in the 2.5-3% range in Italy, Sweden and Portugal and slightly above the average in the UK, Denmark and Luxembourg. On the

contrary, wages registered no improvement or slight losses in Germany, Austria and Switzerland.

Wage moderation continued therefore to characterise bargaining strategies in almost all European countries.

If the "social pact approach" appears undoubtedly to become more and more widespread all over Europe (as new developments in Greece, Finland, Ireland, Spain during 1997 are clearly indicating), the positive results of this policy have not been sufficiently used by national governments to improve the dramatic situation of their labour markets. On the contrary, it is clear that up to now attempts to establish a trade-off between wage moderation and job creation did not produce, in most cases, the expected results.

These remarks are of course reflected in the current debate in the European trade union movement on wage determination and bargaining policies for the coming years.

The question "does wage moderation have a future" could be raised. The answer could be yes if the Finnish, Dutch or Irish social concertation models are taken as the pattern for the new European system of industrial relations.

The answer could be however negative if employers in particular, as it is the case in some countries (Germany, Italy) consider wage moderation as the first step towards wage flexibilisation.

In this respect, wage policy in an EMU perspective is becoming a central issue - with a relevant conflict potential - for industrial relations in Europe in the coming years. The Belgian pattern of wage increases in line with pay policies in Germany, France and the Netherlands or the Finnish 'EMU buffer' agreement at the end of 1997 are relevant examples of new national wage policies in an EMU perspective.

Those advocating a more or less total wage flexibilisation take a radically different approach (supported by large sectors of the employers' associations, in Germany in particular). According to this view, what is required in a situation of monetary union is a differentiation of wages and labour markets that can only be brought about by decentralising the wage formation process at the level of individual firms and by assigning a larger role to the market.

Summing up this point: it is probably too early to say whether a European system of industrial relations, based on tripartite social concertation, is in the process of taking shape. Social pacts are now regulating industrial relations in Italy, Ireland, Portugal and Finland, while in all other countries, with the major exception of the UK, various more or less informal experiences of tripartite or bipartite concertation are taking place. However, the failures to reach social pacts in Germany and Belgium, the disappointing outcome of the European Confidence Pact for Employment, and the difficult bargaining process which characterised most sectoral negotiations in Germany and Italy during 1996, indicate that such a model could end in failure should the employers make further attempts to use the current economic and social difficulties to alter to their advantage the existing balance of power and if the national governments continue to regard wage moderation as a mere tool to keep down inflation.

I would like finally to provide some information and to make a few remarks concerning the Europeanisation of industrial relations and the European dimension of collective bargaining. Such a process obviously implies a significant degree of co-ordination of bargaining policies. Some initiatives have been taken during 1997 by various EIFs (metalworkers, chemical, public sector, construction, textiles) even if practical results in co-ordinating bargaining policies are to be considered generally unsatisfactory.

Sectoral Euro-bargaining should be analysed both in terms of co-ordination of national bargaining policies and of actual negotiations between sectoral social partners at the European level.

A significant development in the direction of co-ordination of bargaining policies was represented by the follow-up to the Conference on collective bargaining organised by the EMF, the European Metalworkers' Federation in October 1996. The EMF, during 1997 started discussing a Charter on working time that should define minimum standards aimed at reducing working hours and promoting job sharing and how to implement them at the national level. The next EMF collective bargaining conference focused on co-ordinating European wages in the situation where the single European currency is scheduled for by the end of 1998. Some preliminary steps towards sectoral co-ordination of bargaining policies were also made by EIFs in the chemical, construction, textiles industries and in the public sector.

European negotiations at the sectoral level are still much less developed than those at the macro-level (centralised social dialogue between the ETUC, UNICE, CEEP and the European Commission). The only important development in this respect during 1997 was the "Recommendation framework agreement on the improvement of paid employment in agriculture in the Member States of the EU" signed in July by the European Federation of Agricultural Workers' Trade Unions (EFA), and the employers' group of agricultural professional organisations (GEOPA/COPA).

On a different level, various research projects on collective bargaining in a EMU perspective are being carried out in various EIFs, such as the EMF jointly with the H. Böckler Found. or the European Federation of construction workers in co-operation with the F. Ebert Found. EMCEF, the European federation of chemical workers, created, in late 1997, a working group on collective bargaining and the Euro and we are co-ordinating an EMCEF research project on the impact of EMU on collective bargaining in the chemical sectors of five countries (D, F, I, B and DK).

As a concluding remark, I largely share the point of view according to which the sectoral level should become the main starting point for a Europe-wide regulation of the labour market. In particular, since the unions have the main interest in this regulation, the European industry federations should have a major interest in promoting co-ordination of national collective bargaining (taking also into account that the sectoral is the most important bargaining level in nearly all EU member states). If the European industry federations prove successful in co-ordinating national bargaining policies, the employers will probably feel the need to set up European bargaining bodies and enter into direct negotiations.

Appendices:

Table 1 - GDP GROWTH, INFLATION AND UNEMPLOYMENT IN 1995-97 IN EUROPE, USA AND JAPAN

Table 2 - NOMINAL AND REAL WAGE GROWTH IN 1995-97 IN EUROPE, USA AND JAPAN

GDP GROWTH, INFLATION AND UNEMPLOYMENT IN 1995-97 IN EUROPE, USA AND JAPAN

	GDP			INFLATION			UNEMPLOYMENT		
	1995	1996	1997	1995	1996	1997	1995	1996	1997
AUSTRIA	1.5	1.6	1.9	1.4	2.5	1.9	3.9	4.4	4.4
BELGIUM	2.1	1.5	2.4	1.7	2.3	1.7	9.9	9.8	9.7
DENMARK	2.6	2.7	3.5	2.0	2.1	2.1	7.2	6.9	6.0
FINLAND	5.1	3.3	4.6	0.3	1.6	1.3	16.3	15.4	13.8
FRANCE	2.1	1.5	2.3	1.6	1.9	1.3	11.7	12.4	12.5
GERMANY	1.9	1.4	2.5	1.9	1.8	2.1	8.2	8.9	10.0
GREECE	2.0	2.6	3.3	9.3	8.5	6.0	9.2	9.6	9.5
IRELAND	11.1	8.6	8.6	2.0	1.1	1.4	12.3	11.8	10.8
ITALY	2.9	0.7	1.4	5.8	4.3	2.2	11.9	12.0	12.1
LUXEMBOURG	3.8	3.0	3.4	0.7	1.4	1.6	2.9	3.3	3.6
NETHERLANDS	2.3	3.3	3.1	1.5	1.3	2.1	6.9	6.3	5.5
NORWAY	3.6	5.3	4.0	2.8	1.1	2.6	4.9	4.9	3.9
PORTUGAL	1.9	3.3	3.5	4.2	3.3	2.2	7.3	7.3	6.8
SPAIN	2.8	2.3	3.3	4.7	3.4	2.1	22.9	22.1	21.0
SWEDEN	3.6	1.1	2.1	2.4	1.2	1.8	9.2	10.0	10.4
SWITZERLAND	0.8	-0.2	0.5	1.9	1.1	0.6	4.2	4.7	5.3
UN. KINGDOM	2.5	2.3	3.3	2.6	2.6	2.4	8.7	8.2	6.4
EUR 15	2.4	1.8	2.6	3.0	2.6	2.1	10.8	10.9	10.7
USA	2.4	2.8	3.6	2.2	2.4	2.1	5.6	5.4	5.0
JAPAN	1.4	3.5	1.3	-0.5	0.2	1.5	3.1	3.4	3.3

NOMINAL AND REAL WAGE GROWTH IN 1995-1997 IN EUROPE, USA AND JAPAN

	NOMINAL INCREASES			REAL INCREASES		
	1995	1996	1997	1995	1996	1997
AUSTRIA	3.1	1.7	1.7	1.7	-0.8	-0.2
BELGIUM	2.9	1.4	2.3	1.2	-0.9	0.6
DENMARK	3.6	3.1	3.8	1.6	1.0	1.8
FINLAND	4.0	3.6	2.4	3.8	2.0	1.1
FRANCE	2.5	2.6	2.4	1.0	0.8	1.1
GERMANY	3.6	2.5	2.0	1.6	0.7	-0.1
GREECE	12.5	11.5	10.5	2.9	2.7	4.2
IRELAND	1.6	2.2	5.5	-0.4	1.0	4.0
ITALY	4.8	5.5	5.3	-0.9	1.1	3.0
LUXEMBOURG	2.2	1.8	3.3	1.5	0.4	1.7
NETHERLANDS	2.1	2.0	3.2	0.6	0.6	1.0
NORWAY	2.6	4.6	3.9	-0.2	3.5	1.3
PORTUGAL	4.5	5.7	4.7	0.3	2.3	2.5
SPAIN	2.2	4.4	2.7	-2.3	1.0	0.5
SWEDEN	2.9	7.3	4.5	0.4	6.0	2.6
SWITZERLAND	2.1	1.3	0.5	0.2	0.2	-0.1

UNITED KINGDOM	2.4	3.5	4.2	-0.2	0.9	1.7
EU 15	3.2	3.4	3.2	0.2	0.8	1.1
USA	3.5	3.4	3.2	1.2	1.0	1.1
JAPAN	1.6	0.8	1.2	2.0	0.6	-0.2

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EPSU, june 12 1998, slide 1

E.M.U. and collective bargaining

Outline

1. EMU : what is it all about and what are we up to ?
2. EMU and collective bargaining: macroeconomic issues
3. EMU and collective bargaining: beyond macroeconomics

EMU, U.S. and Japan Comparative indicators

	EMU, zone EURO	United States	Japan
Population	290.4	267.9	126.0
% of World GDP	19.4	19.6	7.7
Nominal GDP in ecu	5.548,1	6.896,5	3.708,4
Sectoral value- added as % of GDP industry services	30.9 66.7	26.0 72.3	39.2 58.7
Government expenditures as % of GDP	49.6	37.0	36.0
Exports as % of GDP	12.3	8.1	8.8
Exports as % of world exports	19.5	14.8	9.7
Inflation rate	1.6	2.3	1.7
Unemployment rate	11.6	4.9	3.4
Nominal interest rates, long term short term	5.7 4.4	5.9 5.6	1.7 3.4
Real interest rates, long term	4.1	3.6	0.0

Source : EMI Annual Report 1997, p.42 (french version)

1. EMU : WHAT IS IT ALL ABOUT AND WHAT ARE WE UP TO ?

End of phase II : a great deal of macroeconomic convergence has been achieved among EMU members, exchange rates among national currencies are definitely fixed (no more uncertainty except if short-run “credibility” problems on foreign exchange markets...). Nominal conversion rates will be fixed on January 1st, 1999.

- a “forever fixed” intra-EMU exchange rate system

but with a SINGLE European Central Bank (instead of several in the EMS system !)

- a “managed” floating system with the rest of the world

but with a much GREATER weight on international capital markets

Immediate consequences :

- the “immediate” costs of entering EMU will be very small for most countries having already borne those costs through the convergence process
- most likely more limited exchange rate volatility with respect to the “rest of the world”
- decreased real interest rates because of smaller risk premium (but mainly “short-run” ?)
- decrease in transaction costs

THESE FACTORS WILL NOT “PER SE” STIMULATE GROWTH OF THE EUROPEAN ECONOMY

BUT WILL MAKE HIGHER GROWTH PATHS BE ACHIEVED IN OTHER WAYS
EASIER TO SUSTAIN in the medium-long run.

The important question is : how is the EMU and the national economies that are part of it going to be affected in the presence of either “external” (to EMU) shocks or “internal” (country specific domestic) shocks ? What kind of policy responses are open either at the country level or at the EMU level.

2. MACROECONOMIC ISSUES

2.1 EMU : its macroeconomic characteristics

Stylised assumptions :

floating exchange rate with the “rest of the world”, forever fixed parities inside

high degree of capital mobility...both within EMU and between EMU and the rest of the world.

.... and of **some** traded goods among EMU members (highly competitive markets),

.....but imperfect competition for others tradeables.

Low degree of labour mobility and existence of a significant non-traded sector (private and public services).

European Central Bank primarily committed to low inflation rate targeting : coeteris paribus, long run real interest rates unlikely to decrease.

Significant structural differences among EMU members : degree of openness, traded versus non-traded, public versus private.

Consequences :

“labour market adjustments” are central with respect to EMU external shocks affecting EMU members (terms of trade, “world demand”) in a significantly asymmetric way, or to an internal “significant” EMU member economy shock : shifts in costs function, sudden changes in domestic demand (although unlikely given the “stability pact”).

but, at the EMU level, “union” budgetary (fiscal policy) might be effective although with possible inflationary impacts (contradictory to ECB inflation targeting objectives ?)

changes in Euro parity : will affect differentially EMU members economy : “national” labour markets adjustments will necessarily take place.

Three sets of assumptions for analyzing open economies

- **Exchange rate system : fixed or floating ?**
 - * fixed : monetary adjustments
 - * floating : nominal Euro exchange rate adjustment
- **Capital mobility : zero or perfect capital mobility ?**
 - * ***zero : no lending borrowing with outside EMU, Balance of Trade is binding, feeds on the Euro foreign exchange market***
 - * perfect : balance of payments always in equilibrium : no pressure on the Euro foreign exchange market, but only in the “short-run”
- **Real wages sensitivity to the level of output and employment : increasing or constant (everything else being equal) ?**
 - * if increasing : inflation differential with outside EMU, change in competitiveness (real exchange rate)
 - * if “constant” : no inflation differential, constant competitiveness

Combining “floating”, “perfect” and “constant” implies “some” effectiveness for budgetary policy at the EMU level.

2.2. EMU as a whole : the importance of capital mobility.

Remember : EMU is a floating exchange rate economy, with more or less perfect capital mobility with respect to the rest of the world. *Suppose first it is very limited.*

Assume that there are **nominal** rigidities (nominal wages do not adjust perfectly and instantaneously to nominal price changes and vice and versa) and that **real** wage demands by unions are positively related to output and employment levels.

Economies operating with floating rates systems are supposedly “insulated” from external shocks, world demand changes or terms of trade changes, through the nominal exchange rate adjustment, and fiscal and monetary policy are effective.

But this is true only if nominal prices and nominal wages are exogenous (and thus real wages !) and if capital mobility is very small.

Suppose first that real wage demands increase when employment increases, results are different even if capital mobility is still limited :

1. world demand changes **will** affect the level of output and employment if capital mobility is very limited. Suppose a world demand increase : the resulting nominal currency (Euro) appreciation (balance of trade surplus) will decrease the real costs of imports, real wages can increase as will the equilibrium level of employment (if firms are maintaining a constant mark-up rate). The distribution among countries of this increase in global EMU output and employment will depend on the relative elasticities of real wages with respect to output and on the imports content of national productions. Of course, in case of a decrease in world demand, the same will be true in reverse.

2. however, terms of trade changes will **not** affect the level of output and employment : the nominal currency appreciation will offset relative price changes.

3. EMU expansionary budgetary policy is *ineffective* as far as real changes in output are concerned in the medium-long run if the European Central Bank (ECB) sticks to inflation rate targetting. In the short-run, it will temporarily affect output and employment but at the expense of an increasingly higher rate of inflation and Euro depreciation.

4. “National” budgetary policy will also be effective in the short-run at the expense of a “locally” higher inflation rate that will “spill over” to the entire EMU. This case will be discussed further, below, in the context of high degree of capital mobility.

But capital mobility is more and more important between EMU and the rest of the world...

2.3. Extensive capital mobility

Policy coordination : expansionary policy in a single EMU country or for the EMU as a whole

In a single country, suppose that effective unemployment is judged to be too high. Expansionary budgetary policy. Before (under EMS), balance of trade constraints in the long-run . In EMU, no longer. On the other hand, assume that the country's budget deficit does not significantly change the EMU interest rates (limited size and "perfect" internal capital mobility)

Domestic production and "the single country imports" will increase : nominal wage increases will lead to an inflationary gap in the country and in all EMU to a smaller extent. The country and the EMU inflation rates increase, more for the former, less for the latter. The single country will loose competitiveness with respect to all other EMU countries, and to a smaller extent EMU will loose competitiveness with respect to the rest of the world.

The real exchange rate will decrease for the entire EMU (if capital mobility is *not* perfect, there will be some *nominal* Euro parity depreciation but not enough...) : decreased competitiveness and net exports demand contraction for ALL countries in the EMU. Expansionary policy, in the long-run, fails in the single country (complete crowding out) if the country *real* wages increase (delocalisation) and contraction takes place in all the other countries : higher unemployment rates.

However...

If real wages and profit margins are insensitive to output changes in ALL countries AND if capital mobility is large enough (no balance of trade constraint in the short-run for EMU) then fiscal policy might be effective both at a single country level as well as at the entire EMU level as long as the rest of the world's investors are willing to lend to EMU countries (static adaptive exchange rate expectations !).

In other words, within the EMU, given that labour mobility is still limited, that nominal and real wage rigidities prevail in most European labour markets, macroeconomic wages "control" at EMU level is essential to leave room for budgetary or fiscal policy both at country level (however limited) and at EMU level.

This is essential if one wants to use the instrument of budgetary policy both as an anti-cyclical policy, as an "insurance scheme" to cope with asymmetrical shocks on the various "regions" of EMU, and as a tool for medium-run growth strategy.

2.4. the importance of wage coordination

If one wants to give a chance to a coordinated expansionary budgetary policy to put the EMU on a higher medium-run growth path (public investment in transportation and communications, education and in research on advanced technology) and as a consequence trying to achieve improved social services and social protection,

Macroeconomic wage coordination and control among EMU countries is essential:

we have already seen that fiscal policy is effective in a floating rate system if real (and nominal if there are rigidities) wages costs are “insensitive” (at least upward) to the level of output and employment. What does it mean in more operational terms ?

The norm : to determine the maximum EX-ANTE *medium-run* (5 years ?) acceptable rate of growth of real wage costs in each and every country member of EMU. Social security contributions (if part of wage costs) should be discussed separately but “incorporated” in the calculations.

The objective : to stabilise the macroeconomic relative wages costs share in value added compatible with an acceptable level of *non-inflationary* unemployment and given the required (for investments and financial stability) mark-up rate (and thus profit margins) of firms.

The rule : as an example, given a wage drift of 1% on the average, a medium real GDP growth path of 2.5%, an “autonomous” (without taking into account the effect of previous capital-labour substitution effects) increase in productivity of 2%, growth in real wages should not exceed 1% unless profit margins by firms or other primary inputs prices (energy !) are changed.

The institutions : a purely centralised European wage bargaining system is meaningless. National collective bargaining systems should be the place where “coordinated wage policies” should be debated in order to implement the “national” norm as suggested above. What is needed is a “*European Council on Wage policies*” that monitors the national bargaining systems to prevent unwanted departures from the norms, departures that might be detrimental to other EMU countries (spill-over effects). Such a council has to work in conjunction with ECOFIN and should be endowed with incentives and powers of sanction

Branch level or enterprise level *bargaining on wages* in each country might still be relevant in such a scheme. First, *ex-ante*, bargaining outcomes could be made to be “below” the norm. However, to avoid “downward wage pressure”, those gains should be affected for example to finance work time reduction, workers profit sharing (through recapitalisation), investment funds for employment creation, training, etc. The same should be true for higher than expected autonomous *ex-post* productivity gains.

2.5 : A Special Word about the Public Sector:

The same norm ? yes for autonomous public enterprises. But for the “others” : education, health care, administration, etc.

productivity increases ? Budget constraints ? Employment creation ? A complex trade-off.

A plea for, by and large, a constant real wages scale : individual real wage increases depend upon seniority (counterpart of higher job security) if public jobs are of indeterminate duration.

If they are not, only medium-run adjustments of real wages should be allowed (every five years ?) : maximum admissible nominal wages increases should be determined by :

- * the medium-run tax receipts elasticity with respect to nominal GDP
- * the public employment increases or decreases, ex-post and expected
- * an “indexation” formula of public wages versus private sector wages
- * a “cost of living adjustment” formula.

In addition, relative wage adjustment should be made for some categories of public employments that are faced with increased social demands. This should also lead to a critical reexamination of the public employment structure and the cost effectiveness of public services.

But there are indeed other things than wage conditions...

3. BEYOND MACROECONOMICS

3.1 : European sectoral or branch bargaining is now essential : for establishing minimal European standards for working and living conditions :

- annual, weekly and daily work time, flexible work time especially with regard to training
- paid holidays, sick leaves, etc
- minimum real wages by occupation
- training opportunities
- etc.

3.2 : Fighting for the “European Model” :

Competitiveness is important but it should be regulated to respect workers rights (“flexicurity”), and competitiveness constraints should not impede the development of the “new” social services that are important in a European society that transforms itself considerably.

Social life requires new kinds of solidarity that should be efficiently organised : between

- * the “integrated” and the “excluded”
- * the old generations and the young generations
- * the “able” and the “unable”
- * between high growth regions and low growth regions
- * the developed countries and the developing countries

the role played by Public Sector Unions is central in that respect : the restructuring of the Public sector is not solely the issue of privatisation and deregulation of public sector monopolies.

It should be related to the design of a coherent strategy of a budgetary policy (macroeconomically feasible in EMU) and a social policy aiming at developing new “public-but not necessarily state-run” services in

- education
- health care
- justice and security
- culture
- other services to persons

which is the necessary complement at the national and regional level to the “transnational” infrastructures investment strategy of the White papers. But the more coordinated the country level initiatives at the EU level, the more likely it will gain large public support.