European Foundation for the Improvement of Living and Working Conditions

Pay developments 2011

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According to EIRO's annual analysis of pay trends, average collective agreed nominal pay increases in 2011 did not differ greatly from 2010 in most of the 13 countries with available data. Most variations ranged between 0.1 and 0.4 percentage points, except for Belgium with the highest growth in nominal pay increases, and Portugal and Malta where the biggest reductions took place. In most Member States, the nominal increases agreed for 2011 did not compensate for the rise in prices. The report also examines collectively agreed pay increases in three selected sectors (chemicals, retail and civil service). The civil service sector stands out particularly as one in which a significant number of countries registered pay freezes or cuts. The effects of the recession on wage setting are still being felt throughout the European Union and all the evidence points to the continuation of very modest pay increases, freezes and cuts.

Introduction

Wage setting is of vital importance in industrial relations in all countries. Differing national systems of pay formation, taxation and social security, and the various ways in which pay-related statistics are collected and presented, make comparisons between countries hard to draw. Pay setting takes place at various levels (national, sectoral, company, regional, and combinations between them), involves different actors (social partners, governments, management), who are interacting in different ways (on a bipartite or tripartite level). One main distinction is between multi-employer and single-employer agreements. Depending on the industrial relations system of the country, and the tradition of the cooperation between the main social actors and the government, pay can be regulated through legislation or collective bargaining. This report focuses mainly on collectively agreed arrangements.

Within the context of the economic crisis, the level of agreed pay increases has been a source of major concern across Europe. The recent social and economic turbulence has put the debate about wage levels and wage setting mechanisms back at the top of the agenda in the European Union. Last year's report found that, during 2010, most countries and sectors experienced a considerable decline in the rates of collectively agreed pay increases. The current report finds that while some countries such as Czech Republic and Portugal continue to decline, others seem to have experienced a turning point in 2011, with higher average collective agreed increases than the year before (for example Germany). However, those nominal increases did not mean positive increases in real terms in the majority of countries. In the Euro plus pact (167Kb PDF), governments of the eurozone countries (to be joined by other Member States) agreed in 2011 that, in order to foster competitiveness, they have to introduce reforms to ensure that the increase in costs are in line with increases in productivity. Some of the most relevant reforms are to

> *review wage-setting arrangements, and, where necessary, the degree of centralisation in the bargaining process, and the indexation mechanisms, while maintaining the autonomy of the social partners in the collective bargaining process; and to ensure that wages settlements in the public sector support the competitiveness efforts in the private sector (bearing in mind the important signalling effect of public sector wages).*

The plan also suggested that wage settlements in the public sector support competitiveness efforts in the private sector.

This report draws on contributions to the European Industrial Relations Observatory (EIRO) and attempts to give an overview of developments in collectively agreed pay during 2011 in the EU and Norway, drawing comparisons with 2010. It aims to relate national data on collectively agreed pay to the national systems of pay setting and reports on changes to these systems, where such information is available. While it does not provide an overview of changes in wage-setting processes across Europe, it reports on recent developments. In particular, the report:

- maps and presents national evidence of pay set within collective agreements or by law at various levels for 2011 and presents trend developments compared with 2010;
- details the national-level of pay setting (relevant for some countries), at which mechanisms of indexation are set and trend-setting agreements or recommendations are made by social partners and/or governmental institutions;
- examines the 2011 pay-setting developments within three sectors: chemicals, retail and civil service;
- presents the recent developments on minimum wages and respective youth pay rates, where applicable, complemented by information on recent discussions that took place in some countries;
- includes a brief section on gender issues addressed in collective pay setting and concludes with a brief outlook on the developments in 2012.

Average collectively agreed pay increases

Almost half of the European Member States have databases recording collective agreements. These databases are run by official authorities, statistical offices or private providers. The scope of these databases varies: some refer to the full number of collective agreements made (for example, as in Spain or Sweden), while others list the major agreements (for instance, as in Slovakia or Italy). Owing to the fact that collectively agreed pay setting takes place at different levels in the various countries, and is differently recorded and analysed within the databases, cross-country comparisons should be made with the utmost caution. More important here is the comparison drawn within countries over time.

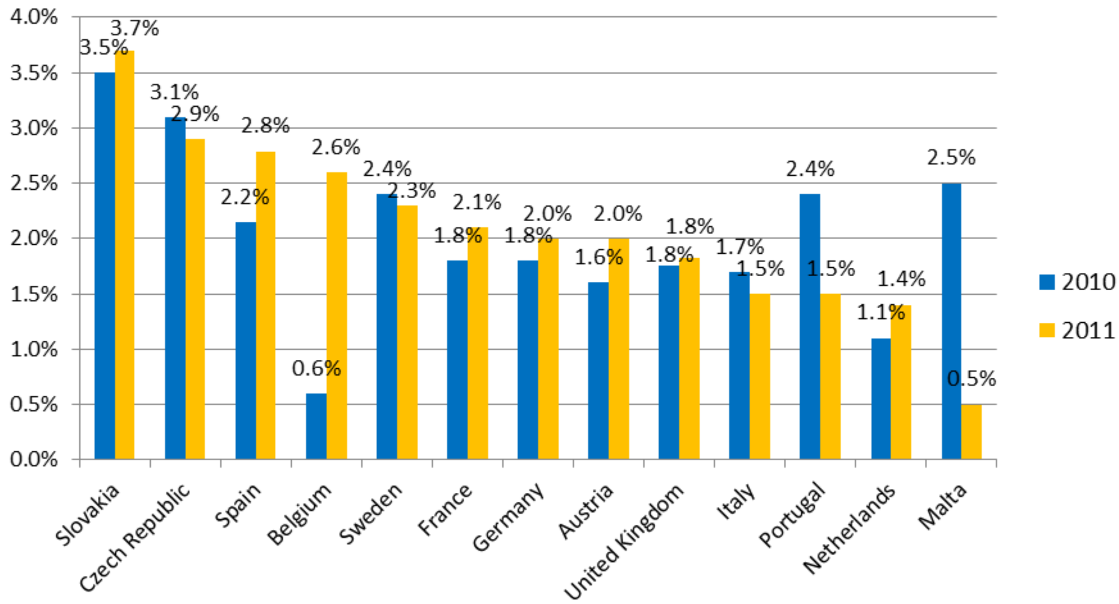
Collectively agreed pay in nominal terms

Figure 1 depicts the average nominal collectively agreed pay changes in 2010 and 2011, which were based on collective agreements. From the countries observed, Slovakia experienced the highest collectively agreed pay increase (3.7 %), followed by the Czech Republic (2.9%). If we compare the development between 2010 and 2011 we can divide the countries into two groups:

- Countries with growing pay increases include Austria, Belgium, Germany, France, the Netherlands, Slovakia, Spain and the UK.
- Countries with reducing pay increases comprise of Czech Republic, Italy, Malta, Portugal and Sweden.

The most dramatic changes in the European Union took place in Belgium, Malta and Portugal. In Portugal, the average agreed pay increases dropped from 2.4% to 1.5% whereas in Malta the average agreed increase of 2.5% in 2010 gave way to an increase of only 0.5%, the lowest in the observed countries in 2011. In contrast, the average agreed pay increases of wages in Belgium grew from 0.6% in 2010 to 2.6% in 2011.

Figure 1: Average nominal collectively agreed pay increase based on collective agreements databases, 2010 and 2011 (%)



Source: National collective agreements databases, as reported by EIRO national correspondents; Data from Malta are based on data for production and market services from September 2009 to September 2010, and September 2010 to September 2011. Data from Austria concern the collectively agreed minimum wage increase.

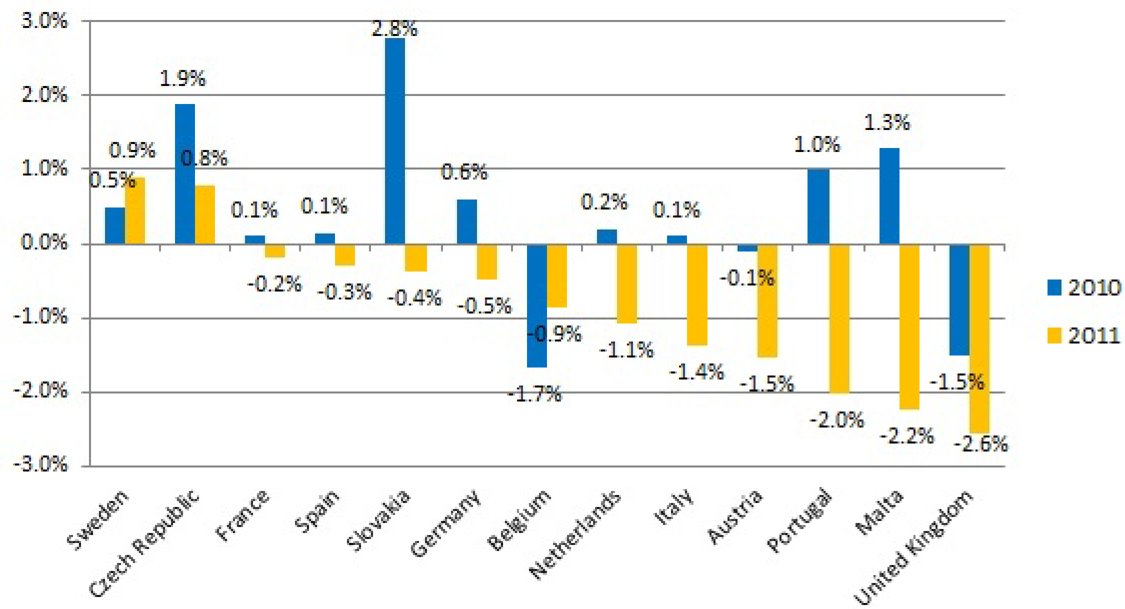
Figure 2: Average nominal collectively agreed pay increase based on collective agreements databases, 2010 and 2011 (%)

Collectively agreed pay in real terms

The figure below summarises the average real collectively agreed pay changes in 2010 and 2011. In 2011, the agreed pay in real terms grew only in Sweden (0.9%) and in the Czech Republic (0.8%). The UK experienced the highest decrease of collectively agreed pay in real terms (-2.6%), followed by Malta (-2.2%) and Portugal (-2%).

Generally speaking, the changes in pay increases in real terms were considerably lower in 2011 than in 2010, with most countries presenting negative figures. Only two out of 13 countries (Czech Republic and Sweden) experienced an increase of real collectively agreed pay – compared with nine countries in 2010. From the countries included, the real pay increases were, in 2011, higher than in 2010 only in Belgium and Sweden. The countries with the highest drop in the rate of pay change are Malta (by 3.5 percentage points) and Slovakia (by 3.2 percentage points).

Figure 3: Average collectively agreed pay increase, in real terms, based on collective agreements databases, 2010 and 2011 (%)



Source: National collective agreements databases, as reported by EIRO national correspondents

Notes: The average real collectively agreed pay change is calculated as

$$pay\ increase_{real} = \frac{1 + pay\ increase_{nominal}}{1 + inflation\ rate} - 1$$

where the inflation rate is based on the average annual change rate of the *European Harmonised Index of Consumer Prices* (HICP) from Eurostat; Data for Malta are based on data for production and market services in periods September 2009 to September 2010 and September 2010 to September 2011. Data from Austria concern the collectively agreed minimum wage increase.

Figure 2: Average collectively agreed pay increase, in real terms, based on collective agreements databases, 2010 and 2011 (%)

Pay setting at national level

This section covers the countries in which agreements, or other arrangements at national level which cover 'major parts' of the economy, set the pace for, or give indication for further lower-level bargaining agreements. National regulation on the level of minimum wages is not considered here unless the increases of minimum wages serve as the minimum level for basic wages to be topped up in agreements at lower levels. This is or has been the case in Greece and Romania. The report broadly distinguishes between three different forms of pay setting at national level:

- **Indexation mechanisms** (see also the background paper to the Eurofound study on Wage indexation in the European Union).
- National or broad **intersectoral level** agreements on pay changes between the social partners and/or government or recommendations to lower-level actors.

- Larger (inter)sectoral agreements that can be viewed as **trend-setting agreements** for further bargaining.

Indexation mechanisms

From the 28 countries covered by this study only four countries have a general wage indexation mechanism (Belgium, Cyprus, Luxembourg and Malta). In Spain, the wage indexation is not provided by law but it plays an important role in collective agreements. Wage indexation maintains employees' purchasing power levels, regardless of the outcomes of collective bargaining processes. In countries where an indexation mechanism exists, it is subject to debate as it is held responsible for fuelling inflationary pressures. Proponents however claim that wage indexation systems can be sustainable and profitable in the long term if the inflation levels are rather low and steady. In the past, wage indexation mechanism operated in Denmark (until 1982), France (until 1983), Italy (until 1992), Netherlands (until 1982) and Poland (until 2009). The following paragraphs give concise descriptions of the national indexation mechanisms and the most recent developments. The information is summarised in Table 1.

Table 1: Summary of indexation mechanisms by country

Country	Coverage	Method of adjustment	Regularity of adjustment	Adjustment in 2011
Belgium	**Pay Minimum wage Social benefits**	**Health index**	**Usually every year during the first term**	**2.6% (estimate)**
Cyprus	**Pay**	**Consumer Price Index**	**Every six months**	**2.6%**
Luxembourg	**Pay Minimum wage Social benefits**	**Consumer Price Index (only if it rises above 2.5%)**	**Every six months**	**1.86%**
Malta	**Pay Minimum wage Pensions**	**Retail Price Index**	**Every year**	**Increase of weekly wage by EUR 1.16**

Source: Eurofound (2010): Wage indexation in the European Union, Background Paper and information of the EIRO national centres.

Belgium

Belgian wages, minimum wage and social benefits are linked to the health index (the consumer price index excluding the price of tobacco, alcohol and fuel energy) in order to maintain the purchasing power of households at the same level, regardless of how the cost of living changes. Automatic wage indexation is organised by collective agreements in the private sector, mostly at sector level. Indexation also forms a part of the statutory employment regulations of civil servants. The general cross-sectoral agreement covers all blue-collar and white-collar workers employed in the private sector (3,433,500 people in September 2011). The overall coverage rate is estimated to be 95% as the majority of higher-level managerial staff and employees that are not covered by a sector regulation do not have this indexation. For 2011 the agreement allowed only for the regular indexation of salaries without any further rise. For comparison, in 2010 the only increase in purchase power permitted was an extra maximum lump sum of €250. The system of wage indexation is currently being debated, partly due to the advice coming from the new rules on EU economic governance. However, no revisions were made to the system in 2011. According to the calculation from the Federal Planning Bureau (FBP/BFP), the indexation of salaries was 0.5% in 2010 and 2.6% in 2011 (only sector agreements in the private sector were taken into account, 2011 is an estimate).

Cyprus

In the Cypriot system of collective bargaining, a basic factor for the rate of pay increases is the system of pay indexation, in force since 1944. In accordance with the present system of calculating the cost of living allowance (COLA), workers' total earnings at the end of every six month period are readjusted on the basis of the percentage change in the Consumer Price Index (CPI) for the preceding six-month period. The system applies at national level and covers employees in all sectors of economic activity. Although there are no data available, it is estimated that COLA covers about 70% of all employees. The COLA increase in 2010 was 2.3% and 2.6% in 2011.

Luxembourg

In Luxembourg, salaries, wages and social benefits (including the social minimum wage) are proportionally adjusted to the rise in the cost of living, which is measured by the Consumer Price Index. The CPI and its impact on the sliding pay scale are published monthly by the national statistics office (Statec). The adjustment takes place if the consumer price index has risen above 2.5% in the previous six months. The indexation of wages covers all employees. The adjustment of wages through the application of this mechanism in Luxembourg was 1.66% in 2010 relative to 2009 and 1.86% in 2011 relative to 2010.

Malta

Wage indexation in Malta is based on the annual average inflation rate as determined by the Retail Price Index. This establishes the cost of living allowance (COLA) which is mandatory for all firms and which is granted to all employees every January. The European Commission recently recommended that Malta should review its wage indexation systems because it is becoming less competitive (**MT1107019I**). Nevertheless, no changes were made to the system of the indexation in 2011. The increase in weekly wages for 2010 was EUR 5.82 and EUR 1.16 for 2011.

National-level or intersectoral agreements and recommendations

National-level or intersectoral agreements and recommendations were identified in Belgium, Greece, Hungary, Italy, Latvia, Romania, Slovenia and Spain. In Greece and Romania the agreements relate to determining the minimum wage. In Latvia and Slovenia the agreements primarily concern pay in the public sector. In Bulgaria and Ireland such agreements are no longer used. In Ireland the system of national social partnership wage agreements collapsed in 2009 (**IE0912019I**). In Italy, social partners decide a maximum amount of increases to be agreed on in lower-level negotiations.

Greece

Until 2010, the two-year National General Collective Labour Agreement set the national minimum wage as the basis for the further negotiations at sectoral level in the private sector, which can top that minimum (**GR0808019Q**). As a response to the troubling economic situation, changes were made to the way minimum wages were determined:

- free collective bargaining has been restricted;
- state authorities directly intervene in the process;

- sub-minima were allowed for groups at risk (such as young and long-term unemployed people);
- both sides of industry can now resort to arbitration if they disagree with the mediator (**GR1011029I**).

The agreement for 2010-2012 did not provide for any nominal increases in 2010, and those agreed from 1 July 2011 (1.6%) add up to a rate equal the annual rise in the Eurozone's inflation rate. The same mechanism applies in 2012. There is a wage freeze for public sector and public utility workers.

Hungary

The tripartite National Interest Reconciliation Council (OÉT) agrees an annual recommendation for pay increases in the following year. While the agreement on minimum wages is mandatory for every employer, OÉT can only recommend other rates. The agreement refers to all employees (about 3.2–3.3 million people). In 2010 a nominal increase of 4%–6% in gross wages was agreed for 2011 (**HU1104011I**). It is important to note that in February 2011 the government also established the Wage and Tax Monitoring Committee to ensure public and private companies pay the agreed increase.

Italy

In 2009, an interconfederal agreement signed by the government and the social partners, with the exception of the Italian General Confederation of Labour (CGIL) made some reforms to the bargaining system (**IT0902059I**). The agreement established a procedure to calculate salary increases through a new indicator linked to inflation. This sets the maximum level of pay increases which can be agreed upon in national sectoral collective agreements. The first estimates of the expected inflation rate using this new system were 1.3% for 2010 and 2% for 2011. These figures are not set in any agreement, but are used as a reference in collective bargaining.

Romania

In 2008, the trade union confederations, the employer organisations and the government signed a Tripartite agreement on the evolution of the minimum wage during the period 2008–2014, (**RO0808019I**) applicable to all employees, and based on the estimated growth in gross domestic product and productivity. The parties agreed that the monthly minimum wage should follow the pattern as shown in Table 2. However the economic crisis tempered the growth of the minimum wage. This resulted in the 2012 minimum wage being only 68% of what had been stipulated in the tripartite agreement. The agreed minimum wage is the starting point for the negotiations at sectoral level, which usually top that minimum.

Table 2: Evolution of the gross monthly minimum wage and gross monthly average wage (in RON*)

Year	2008	2009	2010	2011	2012	2013	2014
Gross monthly minimum wage stipulated in the agreement	510	600	730	860	1,030	1,190	1,325
Actual gross monthly minimum wage	510	600	600	670	700	n.a.	n.a.
Gross monthly average wage	1,761	1,845	1,902	2,032	n.a.	n.a.	n.a.

Source: 'Tripartite agreement on the evolution of the minimum wage during the period 2008-2014' and Institutul Național de Statistică

**In July 2012 EUR 1 was approximately RON 4.5*

Slovenia

In 2009, an agreement on the measures for salaries in the public sector was signed for 2009–2010. This set out the first wage indexation for January 1, 2010. It was also agreed that the second wage indexation should be implemented on July 1, 2010 at half the inflation rate. However, according to the annex to the agreement, general wage indexation in public sector for 2011 was not implemented. These measures for the wages in the public sector have recently caused many disagreements between the social partners and the government.

A national agreement on the pay adjustment method (in Slovenian) in the private sector for 2007, 2008 and 2009 was valid for all employers not covered by the sectoral collective agreements. This agreement was valid until the end of 2009. Today, all pay-related issues for the private sector are regulated by the Employment Relationship Act (in Slovenian) and sectoral collective agreements.

Spain

In 2011, the Agreement for Employment and Collective Bargaining 2010-2012 (**ES1002019I**) was still in force. This document was signed by the Spanish Confederation of Employers' Organisations (CEOE), the Spanish Confederation of Small and Medium-Sized Enterprises (CEPYME), the Trade Union Confederation of Workers' Commissions (CC.OO) and the General Workers' Confederation (UGT). The agreement determined a pay increase of 1% for 2010 and between 1% and 2% for 2011, however, the social partners are not legally forced to apply it.

Trend-setting sectoral agreements

Austria, Denmark, Finland, Norway and Sweden have a tradition of trend-setting sectoral agreements. However, similar practices can be found in other member states such as Portugal, where the public administration has increasingly assumed the role of a pace setter in wage setting. The recent drastic cuts in public administration pay have not been transferred directly to the private sector, but they have strongly influenced the climate of wage bargaining in the private sector.

Austria

The metalworking sector traditionally starts the annual bargaining rounds. Due to the high unionisation rate in the sector, the agreements here are considered as trend setters for the rest of the economy. However, the negotiated increases are not automatically adopted by other sectors and they usually mark the highest wage increases of all sectors. The Austrian trend-setting agreement is in this aspect less binding than other trend-setting agreements mentioned in this section. In November 2009, the social partners in the metalworking industry agreed on a pay increase of 1.45% and on an increase in minimum pay by 1.5% (**AT1002029I**), beginning on 1 November 2009. The increase of real wages roughly corresponded to the real wage growth of recent years. The wage increases in other sectors were more than those of the metalworking industry in the 2009–2010 bargaining round because the metalworking industry was hit hard by the global economic crisis. The 2010 negotiations for the 165,000 workers in the metalworking and mining industries brought wage increases of 2.2% for actual wages and 2.5% for minimum wages (or a minimum gross increase of EUR 45 per month, whichever was the higher) (**AT1012011I**). In 2010, a productivity growth of 13.4% (value added per person) was reached in the sector. Compared to other sectors, wage increases in the metalworking sector were higher than the average in 2010.

Denmark

The Industry Agreement is the pace-setting collective agreement. It is a framework agreement containing minimum rates of wage increases and is concluded by the the Central Organisation of Industrial Employees in Denmark (CO-industri) and the Confederation of Danish Industries (DI). The actual wage increases are negotiated at company level in the private sector, which sets the pace for the public sector, so the Industry Agreement has national influence. Increases take place on 1 March each year. There have not been any discussions or changes to this practice recently. The agreement directly covers 240,000 employees and roughly 400,000 indirectly. In 2010, a wage increase of 1.15% was agreed; in 2011, it was 1.65%.

Finland

Trend-setting agreements have been a traditional practice in Finland. Particular industries, such as metalworking, chemical industries or the technology sector, are seen to act as pacemakers for other industry-level negotiations. In August 2010, the Finnish Metalworkers' Union (Metalliliitto) and the Federation of Finnish Technology Industries (Teknologiateollisuus) reached an agreement on a 1% overall pay increase for all employees with the opportunity for personal rises of up to 0.5%. The agreement covered almost 200,000 employees and is valid until the end of 2012, with annual talks on any further pay rises after autumn 2012. The Federation of Professional and Managerial Staff (YTN) (affiliated to the Confederation of Unions for Academic Professionals (AKAVA)) approved a pay increase for senior salaried employees in the technology industries of 1.5% in October 2010, of which 1% will be paid as a general salary increase and the remaining 0.5% will take the form of a local element. Larger salary increases may occur where agreed through local bargaining. According to these two agreements, the appropriate pay rise will be negotiated locally at the workplace level. By mid-December 2010, new collective wage agreements covering about 300,000 employees have been concluded between trade unions and employer organisations that are members of the Confederation of Finnish Industries (EK). The average general wage increase through these agreements is 1%, and their average validity is one year and three months. All the wage settlements include allowances for company-specific increases that can be used to reward earnings performance, competence or work performance, as well as to adjust wage structures within enterprises (**FI1010021I**).

Norway

Agreements in the so-called trendsetting industries such as the blue-collar agreements in the manufacturing sector (metal industry) always start the negotiations and are regarded as a framework for negotiations in the private and the public sector. In 2011, the negotiations took place between the Norwegian Confederation of Trade Unions (LO) and the Confederation of Norwegian Enterprise (NHO). However, there are discussions about the viability of this model. Public sector unions argue that their members are lagging behind in wages compared to the private sector. The employer side points out that the wage increases in Norway tend to be too high compared to Norway's trade partners. The relations between trendsetting industries and other industries are not formalised, and the model is therefore based on a 'common understanding' of the importance of the settlement within the trendsetting industries, underpinned by the work of tripartite committees and ad-hoc commissions. The trendsetting industries cover around 45,000–50,000 employees. It is estimated that around 70% of Norwegian employees are employed in companies covered by collective agreements. The agreed increase in wages in 2010 was NOK 1.00 per hour (EUR 0.13 as at 21 August, 2012) and NOK 3.00 (EUR 0.39) in low wage industries (those in which average wages are less than 90% of the manufacturing average). NOK 0.50 (EUR 0.068) of this increase was set aside for gender equality purposes, and to be distributed at company level (NO1004019I). In 2011, an increase of NOK 2.00 (EUR 0.26) and NOK 1.00 in low wage industries was agreed.

Sweden

In Sweden the pay increases negotiated in the Industry Agreement usually serve as a benchmark for pay increases in other sectors such as retail, civil service, construction and local governments. The major arguments against the using it as a benchmark are that it prevents the levelling out of wage differences between male and female based sectors and that the educational sector needs substantial pay increases in order to attract qualified teachers. At the end of March 2010 the industry negotiated an annual pay increase of 1.75% for the following 18 to 22 months (depending on agreement). The previous industrial collective agreement stipulated an increase of 3.3% during 2009. The increases in other industries are at the same level or deviate by just a few percentage points. The wage increases are lower than the productivity growth in the industry sector, which was 7.2% between 2010 and 2011 (not adjusted for calendar differences).

Collectively agreed pay in three selected sectors

This section looks at the collectively agreed pay increases in three sectors selected to represent manufacturing (chemicals), services (retail) and the public sector (civil service) respectively. Collective pay setting for different sectors can take place at various levels, with various ways of articulation between them. In the chemicals and retails sectors, for instance, there is a split picture. In half of the member states wages are mainly negotiated at sectoral level, whereas in the other half the company level plays the dominant role in terms of bargaining. In the civil service the picture is also varied but the national, sectoral or sub-sectoral levels of bargaining tend to be the most important. In some cases company-level bargaining might subsequently take place to top up what has been sectorally agreed but in others, most changes in terms of working time and pay are determined by decree at the expense of collective bargaining's lesser role.

General developments affecting sectoral collective bargaining

The most recent structural developments in the sectoral collective bargaining show varied, divergent courses: whereas some countries are taking steps to decentralise (Greece, Italy and Ireland), in others, such as Belgium, the reported changes show evidence of (re)centralisation.

The poor financial situation in **Greece** and the country's recourse to the International Monetary Fund (IMF) for aid led to the adoption of harsh measures in the labour market, both in the private and the public sector (**GR1011029I, GR1007019I, GR1005019I**). In that context, collective bargaining was weakened, as wage issues in the private sector (increases in monthly and daily wages) were determined by statutory regulations referring to the National Collective Employment Agreement (**GR1011029I**). For the first time in Greece, Law 3899/2010 provides the terms under which company-related collective agreements may derogate from sectoral collective agreements (CEAs) (see **GR1102029I**).

Later, the Law 4024/2011 entitled Pension regulations, uniform pay scale – rank scale, labour reserve and other provisions for the implementation of the medium-term fiscal strategy 2012 – 2015, changed (in Article 37) the regime of collective agreements by:

- making business-level agreements prevail over sectoral ones;
- freezing the extension of the validity of the sectoral agreements in the entire production sector;
- abolishing all restrictions on the conclusion of business-level agreements, allowing the possibility of concluding negotiations at individual level.

This led to intense reactions on the part of trade unions. As these business-level agreements take precedence over sectoral agreements, the Greek General Confederation of Labour (GSEE) argued that this dramatically affects pay and conditions of workers.

Some 12 Special Business-level Agreements have been registered during the first ten months of 2011, whereas in the period of 2 months between December 2011 and January 2011, 52 business-level employment agreements were concluded. The business-level agreements provided for wage reductions varying from 5% to 25%.

In **Italy**, the collective bargaining system was also recently reformed through the interconfederal agreement of January 2009, which was undersigned by the government and all the social partners, apart from the Italian General Confederation of Labour (CGIL) (**IT0902059I**, **IT1007019I**). This agreement confirms the bargaining system based on two levels: national; and decentralised, at company or territorial level. The validity of national agreements has been changed to three years for both norms and remuneration (formerly, the normative part of the national collective agreements was valid for four years, while the remuneration related issues remained valid for two years).

Similar to the trend towards decentralisation in collective bargaining in other European countries, the 2009 Italian agreement underlines the importance favouring second-level bargaining, which links wage increases to productivity, efficiency, quality and other means of increasing productivity levels and remuneration. In addition, the interconfederal agreement of 22 January 2009 includes the possibility for second level agreements to modify both the normative and the retribution-related parts of national sectoral collective agreements. 'Opening clauses' can be introduced, submitted to the approval and under the supervision of the signatory parties of the national collective agreement, to favour economic development and employment or to counter the effects of a company crisis.

The possibility of introducing opening clauses to the NCA at company level was also tackled in the following interconfederal agreement on representativeness of 28 June 2011 which was signed by all the trade union organisations including the Cgil (**IT1108029I**). Furthermore, with Article 8 of decree law 138/2011, it is now possible for second-level agreements to contain derogations to the law or national collective agreements in matters regarding the organisation of work and production (**IT1110019I**). The collective agreements of the chemical and tertiary sectors were renewed following the framework of the interconfederal agreement of 2009.

Although no major reforms have been registered in **Belgium** in terms of sectoral collective agreed pay, there are some indications of a potential centralisation of collective bargaining. After a few decades of negotiations and under pressure from the Belgian federal government, the social partners in the chemical and retails sectors agreed on a gradual reduction of the gap between blue-collar and white-collar working conditions. This could lead to a gradual reduction in the number of collective agreements in both sectors; and, more concretely, to a merging of the two sectoral joint committees in the chemical sector.

After the collapse of **Ireland**'s 22-year-old system of national wage bargaining – Social Partnership – which fell apart in December 2009 when Government and private sector employers withdrew from the agreement due to the economic crisis (see **IE1001029I** and **IE0912019I**), collective bargaining on pay in the chemical and retail sectors now takes place at company level. Nevertheless, the Irish Business and Employers' Confederation (IBEC) and the Irish Congress of Trade Unions (ICTU) have a pay protocol for the private sector, which was agreed after the collapse of Social Partnership. It provides that any local pay bargaining will take place in an orderly manner under current agreements, utilising third parties where necessary. The protocol emphasises a commitment to sustaining employment and leaves open the option of cooperation between the social partners on issues like job creation and retention, pensions and home repossessions.

Chemicals

The agreed pay increases in the chemicals sector ranged from 0.5% in Malta up to 16.7% in Slovenia (see Table 3). The majority of countries, where data on collectively agreed pay increases are available, registered higher increases in 2011 than in 2010. The exceptionally high increase in Slovenia was due to adjustments relative to 2004 and 2005. The most expressive difference was registered in Bulgaria with an increase of 3.9 percentage points, from 5.5% in 2010 up to 9.4% in 2011.

A smaller group of countries registered lower agreed pay increase rates in 2011 than in 2010. The decrease was comparatively significant in Romania (from 11.3% in 2010 down to 4.3% in 2011) and Malta (from 2.5% in 2010 to 0.5% in 2011) but comparatively smaller in Slovakia (from 2% in 2011 to 1% in 2011) and Germany (from 2.2% to 2% in 2010 and 2011, respectively).

The overall picture of the relationship between average collectively agreed pay increase within the chemicals sector in Europe, relative to the national average collective agreed pay increase, is quite diverse. In Austria, Germany, Italy, the Netherlands, Sweden and the UK, the agreed pay increases for the chemicals sector in 2011 were higher than the respective national averages, whereas in Slovakia and Spain the average agreed pay increases have been relatively lower in comparison with the respective national averages. The reported average collectively agreed increase for pay in the chemicals sector was equivalent to the national average in Malta .

In Ireland and Portugal, collective bargaining in the chemicals sector has recently come to a halt. In **Portugal**, negotiations reached an impasse in 2009 and no pay increases have been collectively agreed in 2010 and 2011. In Ireland, the ending of the Social Partnership in December 2009 led to the 'decentralisation' of collective bargaining to the company level.

According to the independent weekly magazine Industrial Relations News (IRN), in **Ireland**, the strategy of the Services Industrial Professional and Technical Union (SIPTU) in 2011 was to target an average increase of 2% per annum across as many of its employments as possible, but allowing local flexibility in the duration of the agreement. Union officials describe the local bargaining agreements reached in 2011 as 'Stability and Pay Pacts', which provide the stability that had been available under the national pay agreements, but through local bargaining. In that context, IBEC advised its members at the start of 2011 to agree pay increases only in return for exceptional productivity measures. Research carried out by IBEC shows that most private sector firms are implementing pay freezes while a minority - close to 25% - would be in a position to consider pay rises (no figures available for chemical sector only). An IBEC spokesperson told IRN in late 2011 that the median figure for any pay rises in 2011 would be around 2%, but he also pointed to the fact that employers were better now at including a degree of 'conditionality' in their pay agreements. In some cases, this meant changes in overtime arrangements, rosters and other non-pay elements.

In **Spain**, the last chemicals sectoral agreement (2007–2009) contains the same collective bargaining structure as the previous one. However, the fact that the 16th National Agreement for the Chemical Industry (XVI CGIQ), concluded in 2011, has not been signed by UGT, makes it an agreement of limited efficiency and without the required representativeness to be a statutory agreement. Nevertheless, the fact that the company agreements which were already in force are not obliged to comply with the conditions agreed in the sectoral agreement has led to a trend towards decentralisation.

Table 3: Annual collectively agreed pay increase in the chemicals sector, 2010–2011

	Agreed pay increase		Reported agreements and estimated coverage of sectoral employees
	2010	2011	
Austria	1.19%	3.05% (minimum of EUR 56)	Separate Collective agreements for blue collar and white collar workers; full sectoral coverage
Belgium	+ EUR 0.07 per hour for the minimum wage, and + EUR 0.1 per hour for 'regular wages'	0%	Increase for blue collar workers' minimum wage; joint committee 116. Increase for white collar workers was of EUR 5.2 per hour for the minimum wage and EUR 17.33 per hour for the 'regular wages'; joint committee 207.
Bulgaria	2% to 2.5%	5%–6%	Increase in minimum wage in chemicals, determined by government; the average increase of the minimum wages (considering the various occupations) is estimated at between 5% and 5.5% for 2009–2010 and about is about 9.4 % in 2010–2011.
Cyprus	1.%	1%	Limited sample of company agreements; coverage not available.
Czech Republic	n.a.	n.a.	n.a.
Denmark	1.1%	1.7%	Based on the minimum hourly pay rates; Industry Agreement.
Estonia	n.a.	n.a.	n.a.

Finland	n.a.	2.5%	n.a.
France	0.5%	2.1%	Collective Agreement for the Chemical Industry and its Auxiliaries; estimate of over 90%
Germany	2.2%	2%	Major sectoral agreement; coverage not available.
Greece	n.a.	n.a.	n.a.
Hungary	Not applicable	4%–6%	Major sectoral agreement, followed the recommendation of National Reconciliation Council, mechanism introduced in 2011. Coverage not available.
Ireland	n.a.	n.a.	n.a.
Italy	2.3%	2.7%	Istat 'Contratti collettivi e retribuzioni contrattuali', 2011; Comprehensive coverage of all sectoral employees.
Latvia	n.a.	n.a.	n.a.
Lithuania	n.a.	n.a.	n.a.
Luxembourg	n.a.	n.a.	n.a.
Malta	2.5%	0.5%	Economic Survey, 2011; coverage not available
Netherlands	1%–2%	1.5%–2%	Sample of company agreements in large firms; coverage not available
Norway	3%	4.25%	Estimates of wage increase per year in total, for blue collar workers in chemical industry, electro-chemical industry and wood processing; coverage not available but estimated to be high especially in large companies.
Poland	n.a.	n.a.	n.a.
Portugal	0%	0%	Deadlock in negotiations since 2009
Romania	11.3%	4.3%	'Chemical and petrochemical industry and related activities' agreement; coverage not available
Slovakia	2%	1%	Multi-employer agreements concluded for 2009-2010; coverage not available

Slovenia	2.3%	16.76% (including adjustments from 2004 and 2005)	Collective agreement for Slovenia's Chemical and Rubber Industry; coverage not available
Spain	n.a.	1.5%	16th National Agreement for the Chemical Industry; coverage not available
Sweden	0.9%	2.3%	There are two collective agreements covering the chemical sector in Sweden – figures for chemical factories; coverage not available
UK	2.7%	3.5%	Average collectively agreed increases in 'manufacturing (chemicals, minerals and metals)'; coverage estimated at one quarter of the manufacturing workers

Source: EIRO national centres.

Note: N.a. = data not available.

The EIRO website provides recent information on industrial relations in the chemical sector for some countries. Although not directly related to wages levels or wage setting, social partners have been very active at European level through agreements and declarations (**EU1105011I**, **EU1109031I**). More recently, a new trade union, industriAll, was created on 16 May 2012 following a merger of the European Metalworkers' Federation (EMF), the European Chemical Trade Union (EMCEF) and the European Federation for Textiles, Clothing and Leather (ETUF-TCL). The new trade union represents around eight million workers across Europe (**EU1205071I**).

Retail

In retail, the agreed pay increases ranged from a minimum of 0.7% in Malta up to a maximum of 6% in Hungary (see Table 4). In Denmark, Sweden, the Netherlands and Romania the increase has been higher in 2011 than it was in 2010, reaching 2.5 and 3.1 percentage points more in the last two countries respectively. In the UK it is estimated that, on average, the agreed pay increases have been around 2.3% in 2010 and 2011.

In Germany, Italy, Malta and Slovakia, the 2011 agreed pay increases were lower than in previous year – ranging from 0.2 percentage points less in the latter and 1.8 less in Malta.

In Belgium and the Czech Republic there were no pay increases in retail. In Belgium, the interprofessional agreement (IPA) for 2011–2012 which leaves the indexation mechanism intact, establishes that no pay increases are permitted during 2011. In Czech Republic, no pay increases have been established by the higher-level (sectoral) collective agreement, although the agreements at company level guaranteed the maintenance of wages in real terms.

As in the chemicals sector, the relationship between the average collectively agreed pay increase in the retail sector relative to the national average collective agreed pay increases across Europe is not straightforward. In Austria, Italy, the Netherlands, Malta, Slovakia, Sweden and the UK, the agreed pay increases have been higher in retail than the respective national averages, whereas Spain was the only country reporting an average agreed pay increase in retail (in two of the major agreements in the sector, see Table 4) relatively lower than the national average agreed pay increase of 2.5%. The reported average collective agreed increase for pay in retail was equivalent to the national average in Germany – 1.9%.

Trend towards (de)centralisation

Data from four member states seem to indicate important structural changes in collective bargaining in retail. Collective bargaining in Ireland and Romania appears to be becoming more decentralised. In Spain and Finland it seems that the opposite is taking place, with a disruption of the traditional way of bargaining in Spanish retail and a return, in Finland, to the centralised negotiations on pay which were in place five to seven years ago.

In **Ireland**, the grocery sub-sectoral wage agreements set by Joint Labour Committees (JLCs) were ruled unconstitutional by the High Court in 2011. This ruling struck down existing Employment Regulation Orders (EROs) which set down minimum pay rates and terms and conditions. JLCs are independent bodies which determine minimum rates of pay and conditions of work for workers in certain sectors. Each JLC comprises representatives of workers and employers in the sector concerned. The pay and conditions agreed by the representatives on the JLCs are given force of law in Employment Regulation Orders (EROs). These wage agreements for retail grocery are not valid anymore.

The Industrial Relations (Amendment) (No. 3) Bill 2011 in December 2011, published by the Irish Ministry of Jobs, Enterprise and Innovation, implements reforms to the JLCs and to reinstate some JLCs. The retail union Mandate expressed concern that the reform of the JLCs – particularly proposals on Sunday premium pay, overtime and the 'inability to pay' clause for employers - could be used to reduce terms and conditions and wages for lower paid workers in the retail grocery sub-sector. Employer organisations in the sector, such as IBEC, the representative organisation for independent family grocers in Ireland, RGDATA and Retail Excellence Ireland had called for the JLC to be abolished, saying they were inflexible and outdated and would lead to more job losses in the sector.

In **Romania**, decentralisation has occurred after the abolition of the national collective agreement, which used to be the legal basis and source of reference for sectoral bargaining. In 2010, collective bargaining at company level in the Romanian retail sector used the provisions of the sectoral collective agreement as a minimum starting point. In most cases, the company minimum wage agreed upon was higher than its sectoral counterpart. In 2011, there was no sectoral agreement, making the company the only level of collective bargaining.

In the **Spanish** retail sector, collective bargaining is very fragmented, with multiple agreements concluded for different sub-sectors and at different levels (regional, inter-provincial, provincial). The National Frame Agreement of the Commerce Sector (AMAC) (**ES1112021I**) enacted on 15 December 2011 which determines the structure and articulation of collective bargaining underlined the importance of the sectoral agreement for the determination of the wages in a significant number of companies in the sector. In relation to wages, company agreements prevail over multi-employer agreements in companies having at least 500 employees which operate in two or more autonomous communities or in more than 50% of the provinces of a single autonomous community. These autonomous communities are Spain's first-level political divisions. There are 17, and they have devolved powers. In all other cases, companies will have to comply with the conditions agreed in a sectoral agreement, whether provincial, inter-provincial or regional.

It is also important to underline that, in **Finland**, after a break of several years, social partners have now returned to a centralised settlement. The national centralised incomes policy settlement was last applied in Finland in 2005–2007. In 2008, the Confederation of Finnish Industries (EK) announced that sectoral, company and even individual-level bargaining would be the negotiation models of the future. Trade unions and some key politicians have, however, kept the door open for centralised accords.

Table 4: Annual collectively agreed pay increase in the retail sector, 2010–2011

	Agreed pay increase	Reported agreements and estimated coverage of sectoral employees	
	2010	2011	
Austria	n.a.	2%–2.3%	Two sectoral collective agreements; coverage not available
Belgium	n.a.	0%	Interprofessional agreement 2011-2012 (IPA) which leaves the indexation mechanism intact. No pay increases in 2011 were permitted.
Bulgaria	8%–10%	9%–11%	Increase in minimum wage in retail; coverage in the sector estimated at 5 % but in some companies (with company agreements) the coverage could be 50%–70%.
Cyprus	5.6%	2.4%	Legislation; retail sales staff is among the nine occupations currently covered by a minimum wage (see section on minimum wages below); full coverage
Czech Republic	0%	0%	HLCA; coverage not available
Denmark	1%	1.6% - for skilled workers 1.7% - for unskilled workers	Industry Agreement; about 90% of workers are covered.
Estonia	n.a.	n.a.	n.a.
Finland	n.a.	2%	General pay increase
France	2%	n.a.	DARES; coverage not available
Germany	2.4%	1.9%	Regional agreements for retail; coverage not available
Greece	n.a.	n.a.	n.a.
Hungary	Not applicable	4-6%	Major sectoral agreement, followed the recommendation of National

			Reconciliation Council, mechanism introduced in 2011 Coverage not available.
Ireland	n.a.	0%	n.a.
Italy	2.7%	1.6%	Major collective agreements in the sector; coverage not available
Latvia	n.a.	n.a.	n.a.
Lithuania	n.a.	n.a.	n.a.
Luxembourg	n.a.	n.a.	n.a.
Malta	2.5%	0.7%	Economic Survey, 2011; coverage not available
Netherlands	0%	2% - 2.5%	Sample of sub-sector agreements (Retail electronics, Retail fashion and sports, Retail sound and vision); coverage not available
Norway	3.6%	3.6%	Total annual increase for employees in Virke companies (Retail and wholesale trade), including carry-over effects, general increase at central level, wage drift and central level guarantee clause; about 50% of workers are covered
Poland	n.a.	n.a.	n.a.
Portugal	1.5%	n.a.	Agreement for retail establishments with more than 200 square metres; coverage not available
Romania	0%	3.1%	Gross minimum wage as basis; coverage not available
Slovakia	4.3%	4.1%	Collective agreements covering commerce and tourism; coverage not available
Slovenia	4%	n.a.	Collective agreement for Retail; coverage not available
Spain	n.a.	2% a) 1.5% b)	a) General stores collective agreement (covers 300,000 workers) b) Agreement between CCC and FECOHT –CCOO and FCTCHTJ-UGT (covers 120,000 workers)
Sweden	4.5%	4.7%	Main sectoral agreement; covers 80,300 workers

UK	2.3%	2.3%	LRD figure for 'retail, wholesale, hotels and catering'.

Source: EIRO national centres.

Note: N.a. = data not available.

Additional information on wage-related collective bargaining in the retail sector can be found for some countries on the EIRO website, where for example, the company-level agreement signed at Carrefour Group in Italy and the industrial disputes which took place at Tesco Hungary have been reported (**IT1104029I** and **HU1010021I**).

The report 'Representativeness of the European social partner organisations: Commerce' identifies the relevant national and supranational social partner organisations in the field of industrial relations in the sector, including retail trade (**TN1008018S**).

Civil Service

In the vast majority of countries with data available, the pay increase in the civil service was lower than the average collective agreed pay increase for the whole economy. Sweden was the only exception with an increase slightly higher in the civil service (0.1 percentage point). In effect, Cyprus, Estonia, France, Ireland, Italy, Latvia, Lithuania, Poland, Portugal, Slovakia, Spain and the UK registered nominal wage freezes for civil servants (or a significant number of them) whereas the 'agreed' increases for civil servants in the rest of the countries were considerably lower than the national averages. Positive pay increases in civil service varied from 0.2% in Czech Republic and the Netherlands up to 15% in Romania (after a cut of 25% in 2010). In 2011, civil servants' pay was cut in Greece, Ireland and Latvia.

Civil servants in Cyprus, Estonia, Italy, Latvia, Lithuania, Spain and the UK experienced pay freezes both in 2010 and 2011. Only Bulgaria, Germany, Luxembourg and Romania reported a higher pay increase in 2011 than in 2010. The rest of countries with data available – Czech Republic, France, Denmark, Poland, Slovakia, the Netherlands and Sweden – had lower increases in 2011.

In the **Czech Republic** civil service sector, the main trend for wages is a declining one, evidenced by the cuts in the wage funds in the national budget for 2010 (2.3% nominal cut) and 2011 (foreseen in the national budget to reach 10%). The pay increase in 2011 stood at 0.2% down from 0.3% in 2010.

In **Romania**, where employees from public sector are paid according to the provisions of the unitary pay Law no. 330/2009 (see **RO0912019I**), the government issued Act no. 118/29 June 2010, with effect from 2 July 2010, setting out a 25% reduction of the gross salaries of employees paid from public funds, including fringe benefits and bonuses. However, in December 2010, by Act no. 258/2010, the level of gross salaries of employees paid from public funds increased by 15% compared with that of October 2010, starting on 1 January 2011.

The existing (1,700–1,750) collective agreements in the **Hungarian** civil service sector cover around 110,000 to125,000 employees (18%–20% of total). There has been no pay increase in the sector since January 2008 and a significant cut took place in 2009, when the 13th month's salary was withdrawn. The major sectoral agreement followed the recommendation of the National Reconciliation Council (mechanism introduced in 2011), and therefore the pay increases should be between 4% and 6%.

Pay freezes

As **Cyprus** continues to deal with the consequences of the economic crisis, the level of collectively agreed pay increases remains a source of major concern, while the decentralised process of wage setting and the link between wages and productivity is a continuing debate. In this context, the government and the Pancyprian Federation of Public Employees (PASYDY), informally agreed on a freeze on pay and cost of living allowances, applied to the civil service for two years from 1 January 2010 until 31 December 2011. This decision was deemed necessary because of:

- the specific conditions created by the global financial crisis;
- the high unemployment rate;
- the reduced rate of economic growth;
- the sudden reduction in state revenues;
- the higher fiscal deficit and public debt.

Along similar lines, the **Italian** civil service will take pay freezes until 2013 as well as the extension of the reform of the collective bargaining system. The agreement between the government and social partners of 30 April 2009 extends to the public sector the January 2009 interconfederal agreement regarding the reform of the bargaining system. The agreement states that decentralised bargaining is an important instrument which can help improve productivity and efficiency in the public sector and confirms the need to increase the number of measures which can promote second level bargaining, linking increases with productivity, efficiency or quality objectives. More recently, on 11 April 2011 a joint agreement was signed in order to redefine and simplify the bargaining system in the public sector (**IT1104039I**).

All renewals of collective agreements in the Italian public sector will be suspended for the period 2010–2012 and salaries for public administration employees will be frozen from 2010 until 2013 as foreseen in Decree n.78/2010 (**IT1008019I**)

Also in **Lithuania**, were the minimum gross wage rate in the civil service sector is established in the Law on Civil Service, the wages of civil servants were frozen in 2010, 2011 and probably in 2012. The wages of the highest level civil servants have been reduced during this period of time: those receiving LTL 2,340–LTL5,850 (EUR 678–EUR 1,696) were reduced to LTL 2,327–LTL4,743 (EUR 674–EUR 1,375). It is, however, foreseen that the wages will return to the previous level as of 1 January 2013.

In **Spain**, the government–union agreement for the public sector within the framework of social dialogue 2010-2012 foresaw a pay increase of 0.3% in 2010. However, Royal Decree 8/2010 of 20May resulted in the non-fulfillment of the national agreement on public sector work signed by the Government, UGT, CCOO, CIG and ELA. The Royal Decree cuts public sector wages by an average of 5%: high-ranking officials have seen their salaries cut by between 8% and 15%, whereas those on lower pay have suffered losses of between 0.56% and 7%. In 2011, the wage increase was frozen by the government.

In June 2010, the **UK** government announced a two-year pay freeze for the public sector, including the civil service. For civil service bargaining units that already had a pay deal in place for 2010, the freeze would apply to 2011-2012, while for units that did not already have a 2010 settlement, the freeze would apply to 2010-2011. The pay freeze applies to employees earning above the full-time equivalent of £21,000 per year (around €24,480 in 2010). Those earning less receive an increase of at least £250 (€291) in each of the two years of the general freeze.

From freezes to cuts

In **Ireland** the 'Public Service Agreement' (PSA), also known as The Croke Park Agreement, was finally agreed in March 2010, after long debates and widely differing views from the sector's trade unions, including a ballot by the Civil and Public Services Union (CPSU), to reject the agreement. In 2011 the General Secretary of the Public Service Executive Union (PSEU), said the agreement was working and therefore should be maintained while the Government reiterated its commitment to the agreement. Under the PSA, there was a civil service pay freeze in 2010–2011, which is set to continue until the agreement ends in 2014.

However, pay cuts had been introduced in the civil service and wider public service from January 1, 2011 without agreement with trade unions (**IE0912029I**). The cuts were implemented through the Financial Emergency Measures in the Public Interest (No. 2) Bill 2009. The purpose of which was to:

> *reduce the remuneration of public servants as a financial emergency measure in the public interest. The bill is introduced in the context of the priority being given to the stabilisation of the public finances, including the need to achieve an adjustment of over EUR 1 billion in the public service pay and pensions bill in 2010.*

The pay cuts were as follows:

- a 5% cut in the first EUR 30,000 of annual salaries;
- a 7.5% reduction in the next EUR 40,000 of annual salaries;
- a 10% cut in the next EUR 55,000 of annual salaries.

Pay cuts

Owing to the financial crisis, the **Greek** Government announced cuts in wages in the wider public sector for 2010 and 2011.. The new pay scale, which is implemented retroactively from 1 November 2011 causes significant income losses, (in certain cases, by more than 50%). Moreover:

- no pay rises are allowed;
- the hiring of personnel has been suspended or restricted;
- a system of flexible recruitment has been introduced;
- public services and organisations are being merged, downsized or shut down;
- thousands of employees are placed in the labour reserve or dismissed.

Law 4024/2011, passed in October 2011, marked the beginning of a very short procedure of radical reform of the public administration, which had to be completed by 31 December,2011. A new rank and pay scale was introduced, primarily introducing wage cuts for all categories of employees, in an attempt to achieve parity with the private sector.

In **Latvia**, the general policy since 2008 was to decrease wages and salaries, including in the public sector. This policy was continued in 2010 and 2011 in order to comply with conditions agreed in the Memorandum of Understanding between the European Community and the Republic of Latvia. The memorandum establishes the requirements for financial assistance from the international donors, which include a medium term fiscal programme involving, within medium term budgetary ceilings, a reduction of average public sector remuneration in nominal terms in 2009 by at least 15% relative to the original 14 November 2008 budget and a further 2% in 2010–2011. It has also to apply to local governments, government agencies and state owned companies, and it eliminates general bonuses, performance bonuses, vacation bonuses, management contracts, additional payments for work in high intensity conditions and similar such payments'.

Table 5: Annual collectively agreed pay in the civil service, 2010–2011

	Agreed pay increase		Reported sources
	2010	2011	
Austria	0.9% plus an additional lump sum of EUR 4 per month	Between 0.85% and 2.09% (but at least EUR 25.50), averaging at 1.03%	Public sector terms of employment;
Belgium	n.a.	n.a.	No data available covering the whole sector. Wages in the Federal public service have been increased through the automatic indexation system; in real terms, that represents no increase.
Bulgaria	2%–2.5%	5%	Government decree
Cyprus	0%	0%	Informal agreement between government and PASYDY.
Czech Republic	0.3%	0.2%	Ministry of Finance;
Denmark	2.4%	1.48%	General framework for the state workers
Estonia	0%	0%	Three multi-employer collective agreements concluded in health care, defence and education sectors.
Finland	n.a.	1.3%	Sectoral collective agreements, general increase in 2011, eventually followed by 0.7% increments negotiated at organisational level.
France	0.5%	0%	Wage increases determined by the government
Germany	0.4%	1.6%	Data from WSI; average collectively agreed basic pay increases.
Greece	Pay cuts	Pay cuts	Retroactive pay cuts established by the Government in November 2011 for the whole public sector.
Hungary	Not applicable.	4-6%	Major sectoral agreement, followed the recommendation of National Reconciliation Council, mechanism introduced in 2011 Coverage not available.

Ireland	Pay cuts	0%	Pay cuts were imposed by government on all public sector workers from 1 January 2010. Pay freeze in 2010 - 2011 under the 'Public Service Agreement 2010-2014'.
Italy	0.6%	0%	Salaries for public administration employees will be **frozen** from 2010 until 2013 as foreseen in Decree n.78/2010 (**IT1008019I**)
Latvia	0%	0%	The outcomes of the collective bargaining in 2009 in public sector's institutions' and established in collective agreements were frozen in 2010 and 2011.
Lithuania	0%	0%	Law on Civil Service.
Luxembourg	2.5%	1.9% followed by 2.5%	Increases followed the increase in the national minimum wage.
Malta	n.a.	n.a.	Collective bargaining takes place at 'local level; no data available.
Netherlands	1.7%	0.2%	Average increases for the government sector (excluding healthcare).
Norway	4.5%	4.0%	Total annual increase for state employees, including carry-over effects, general increase at central level and wage drift. 2010 figure includes the increase due to working time agreement for the police forces.
Poland	1%	0%	Set in annual budget law.
Portugal	0%	0% for wages up to EUR 1,500. Cuts between 3.5% and 10% for wages above.	Set by law.
Romania	-25%	15%	Unitary pay law 330/209
Slovakia	1%	0%	Multi-employer collective agreement for civil servants
Slovenia	-0.6%.	n.a.	Collective agreement for the public sector
Spain	pay cuts	0%	Cuts in 2010 and freeze in 2011 by Royal decree.
Sweden	3.3% - 3.4%	1.75% - 1.8%	Two main collective agreements
UK	0%	0%	Pay freeze established by the government.

Source: EIRO national centres.

Further information on wage-related collective bargaining in the civil service can be found for some countries on the EIRO website. This includes, for example, the call for strike action by the Slovenian Confederation of the Public Sector Trade Unions as a reaction to the government package considering the introduction of pay cuts in the public sector (**SI1109019I**); and the two agreements between the General Public Sector Confederation and the government which will lead to significant changes in the status of civil servants and the way they are paid, including career and pay scales (**LU1108011I**).

At European level it is worth mentioning the sectoral social dialogue committee for central government administrations which was set up in December 2010. Through this committee, workers and employer representatives from across the European Union will have the opportunity to deliver opinions, statements and documents to the European Commission on areas of European social and employment policy that may have consequences for all central government administrations at national level (**EU1102011I**).

The report 'Representativeness of the European social partner organisations: Public administration' identifies the relevant national and supranational social partner organisations in the field of industrial relations in the sector (**TN0912027S**).

National minimum wages

A total of 20 EU Member States have set minimum wages at national level. In general, these are statutory minimum wages which usually apply to all employees or at least to a large majority of employees. The values of minimum wages reported here are gross, as deductions for income tax and social security contributions vary from country to country. The national minimum wages are enforced by law and often established after consultation with social partners, or directly, by national intersectoral agreements as in Belgium and Greece. Some countries also have special rates for young workers, which are reported below in the section 'Youth minimum wages'. Austria, Cyprus, Denmark, Finland, Germany, Italy, Sweden and also Non-EU Norway, do not have statutory minimum wages set at national level. More information on national minimum wages and sectoral minima can also be found in Eurofound's country profiles of industrial relations.

Full adult rate

When looking at changes in national minimum wage levels between 2010 and 2011, one can classify countries in three groups:

- those in which there was no increase;
- those with rather modest increases;
- those with slightly higher increases.

Table 6 summarises the officially agreed rates, in national currency, in force at the end of 2010 and 2011 as reported by the EIRO national correspondents.

No increase

In 2011, five out of the 20 countries with a national minimum wage – Belgium, Czech Republic, Estonia, Ireland and Lithuania – did not register any change. Notably, these were part of the set of nine countries which in 2010 also did not register any increase in the national minimum wage.

- In Belgium an indexation of 2% was applied, to take into account the rise in prices, meaning that there was no increase of the statutory minimum wage in real terms.

- In the Czech Republic the monthly rate has been CZK 8,000 (about EUR 325 in 2011) since 2007.
- In Estonia, the national minimum wage of EUR 278 has not been updated since 2008.
- In Ireland, the minimum wage was cut by EUR 1 per hour to EUR 7.65 from February 1, 2011 as part the Fianna Fail/Green Government's four year economic recovery plan under the EU-IMF programme of financial support (IE1012029I). The new Fine Gael/Labour Government reversed the cut in the minimum wage and restored it to EUR 8.65 from July 1, 2011.
- In Lithuania, the minimum wage was last updated in January 2008 at LTL 800 (about €232, in 2011). Minimum hourly pay and the minimum monthly wage in Lithuania are determined by the Government of the Republic of Lithuania (LRV), upon the recommendation of the Tripartite Council of the Republic of Lithuania (LRTT).

Moderate increase

In Greece, Netherlands, Slovenia and Spain were registered relatively moderate increases compared to other countries.

- In **Greece**, the salary (and daily remuneration) thresholds for the unskilled personnel (and blue-collar workers) have been determined through collective bargaining between the GSEE (the workers' side) and SEV, GSEVEE, ESEE (the employers' side), and inscribed in the National General Collective Labour Agreement (EGSSE). The agreement established the minimum wage at EUR 751.39 for 2011, representing an increase of 1.6% in relation to 2010.
- In the Netherlands, the gross national minimum wages for adult employees (23 years and older), increased from EUR 1,416 to EUR 1,424.4 in January 2011 and then to EUR 1,435.2 in July of the same year. It represents a total yearly increase of 1.4%.
- In Slovenia, no major developments regarding the calculation of the minimum wage took place after the amendment to the Minimum Wage Act came into force in 2010. The minimum wage increased 1.96% between 2010 and 2011.
- In Spain, the minimum wage increased by 1.3% in 2011, thus being set at EUR 641.4. In 2012, no increase will be applied to the minimum wage.

Higher increase

The rest of the countries registered slightly higher increases, ranging from 2.1% in Portugal up to 11.7% in Romania. In Bulgaria, France, Hungary, Luxembourg, Poland, Romania and the UK the increase registered in 2011 was higher than the previous year, while in Portugal and Slovakia the increases were lower than the year before.

- In Bulgaria, where there was no increase in the minimum wage in 2010, the rate for 2011 represented a raise of 12.5%.
- In France, the increase of the *Salaire minimum interprofessionnel de croissance* (SMIC) for 2011 was calculated on the basis of the consumer price index CPI (+1.5% between November 2009 and November 2010) and half of the purchasing power of the average hourly basic income, which increased by 0.2% between September 2009 and September 2010. Thus, the SMIC increased by 1.6% (1.5+0.2/2=1.6). In November 2011, however, it was found that the CPI had increased by 2.1% between November 2010 (the reference month) and October 2011. As this was above the 2% threshold discussed above, the

SMIC had to be increased again by 2.1% in December 2011. In total, the SMIC grew 3.7% between 2010 and 2011.

- In Hungary, the increase of the minimum wage in 2011 (6.12%) was even higher than in 2010 (2.9%).
- In Latvia and Romania, where the respective minimum wages have been frozen in nominal terms in 2010, registered the highest increases in 2011: respectively 11% and 11.7%.
- In Luxembourg, whereas there was only one increase of 2.5% in 2010, in January (1.9%) and again in October of 2011 (2.5%), totalising a growth of 4.5% in the year period.
- In Poland, in accordance with the Minimum Wage Act of 2002, the Tripartite Commission for Social and Economic Affairs increased the minimum wage for 2011 by 5.2% in relation to 2010.
- In Portugal, although the social pact from 2006 stipulated an increase of the national minimum wage up to EUR 500 in 2011, it stood at EUR 485, which represents an increase of 2.1% in relation to 2010, slightly lower than the one registered the year before (5.6%).
- In the UK, where the independent Low Pay Commission (LPC) makes annual recommendations on national minimum wage increases to the government, the hourly full hourly rate has been increased by 2.53%, just slightly above the 2.24% increase verified the year before.

Table 6: Level of national gross minimum wage, 2010–2011, in national currency and euro equivalent

		2010		2011	
	Frequency	**Rate**	**% increase to previous year**	**Rate**	**% increase to previous year**
Belgium	Monthly	EUR 1415.24	2% - indexation	EUR 1443.54	2% - indexation
Bulgaria	Hourly	BGN 1.42 (EUR 0.73)	0%	BGN 1.60 (EUR0.81)	12.5%
	Monthly	BGN 240 (EUR 122.7)		BGN 270 (EUR138.1)	
Czech Republic	Hourly	CZK 48.10 (EUR 1.91)	0%	CZK 48.10 (EUR1.91)	0%
	Monthly	CZK 8,000 (EUR 316.41)		CZK 8,000 (EUR316.41)	
Estonia	Hourly	EUR 1.73	0%	EUR 1.73	0%
	Monthly	EUR 278		EUR 278	
France	Hourly	EUR 8.86	0.5%	EUR 9.19	3.7%
	Monthly	EUR		EUR 1,393.82	

		1,343.77			
Greece	Daily	EUR 33.04	0%	n.a.	1.6%
	Monthly	EUR 739.56		EUR 751.39	
Hungary	Monthly	HUF 73,500 (EUR266.8)	2.9%	HUF 78,000 (EUR279.2)	6.12%
Ireland	Hourly	EUR 8.65	0%	EUR 8.65	0%
Latvia	Hourly	LVL 1.083 (EUR1.53)	0%	LVL 1.189 (EUR1.68)	11%
	Monthly	LVL 180 (EUR254.0)		LVL 200 (EUR283.2)	
Lithuania	Hourly	LTL 4.85 (EUR1.40)	0%	LTL 4.85 (EUR1.40)	0%
	Monthly	LTL 800 (EUR231.7)		LTL 800 (EUR231.7)	
Luxembourg	Hourly	EUR 9.97	2.5%	EUR 10,4132	1.9% followed by 2.5%
	Monthly	EUR1,724.81		EUR 1,801.49	
Malta	Weekly	EUR152.29	3.97%	EUR 153.45	0.76%
Netherlands	Daily	EUR 65,35	0.64%, on 1 January, followed by 0.6%, on 1 July.	EUR 66,24	0.59%, on 1 January, followed by 0.76%, on 1 July.
	Weekly	EUR 326,75		EUR 331,20	
	Monthly	EUR1,416		EUR 1,435.2	
Poland	Monthly	PLN 1,317 (EUR329.69)	3.2%	PLN 1,386 (EUR336.36)	5.2%
Portugal	Monthly	EUR475	5.6%	EUR 485	2.1%
Romania	Monthly	RON 600 (EUR142.44)	0%	RON 670 (EUR158.1)	11.7%
Slovakia	Monthly	EUR307.7	4.1%	EUR 317	3%
Slovenia	Monthly	EUR734.15	22.9%	EUR 748.1	1.9%
Spain	Monthly	EUR633 (14 times)	1.4%	EUR 641.4 (14 times)	1.3%
UK	Hourly	GBP 5.93 (EUR 6.91)	2.24%	GBP 6.08 (EUR 7)	2.53%

Notes: Euro conversions, where necessary, used the average exchange rates for 20 and 2009 from the European Central Bank (ECB).

Source: EIRO national centres.

Youth minimum wage

Part of the countries with national minimum wages also set minimum wages for younger workers (see Table 7). In most of the cases the ‘youth rate’ is lower than the full adult rate. Latvia continues to be the exception, where the adult minimum is also applied to young workers although, by regulation, they have a shorter working week, resulting, in practice, in a minimum which stands above the adult minimum by 14.4%.

Greece was the only country where the regulations were changed on the minimum wage for young workers. Under the new measures, employers who recruit new entrants in the labour market aged less than 25 years old can pay them 84% of the national minimum wage. As regards new entrants under 21 years old, the employers may pay a salary that corresponds to no less than 80% of the minimum wage. Moreover, special contracts of apprenticeship can established between employers and individuals aged 15–18 years,, lasting up to one year. The apprentices will receive 70% of the wage threshold of the National General Collective Employment Agreement (and they will be insured under the sickness branch with benefits in kind plus 1% against the risk of accident).

Table 7: Minimum wages for young people, 2011

	Recipients	Rate or percentage of full rate
Belgium	Workers aged 16 years	70%
	Workers aged 17 years	76%
	Workers aged 18 years	82%
	Workers aged 19 years	88%
	Workers aged 20 years	94%
	Workers aged 21 years and over	100%
Czech Republic	Workers aged below 18 years	80%
	Workers aged 18–21 years	90%
France	Workers aged below 17 years	80%
	Workers aged 17–18 years	90%
Greece	Workers aged 15–18 years	70%
	First entrants aged 19-21 years	80%
	First entrants aged 22-25 years	84%
Ireland	Workers aged below 18 years	EUR 6.06 per hour
	Workers aged over 18 years, on first year of first employment	EUR 6.92 per hour
	Workers aged over 18 years, on second year of first employment	EUR 7.79 per hour
	Workers aged over 18, training or study undertaken in normal working hours (1st / 2nd / 3rd period)	EUR 6.49/EUR 6.92/EUR 7.79 per hour
Luxembourg	Workers aged 15 and 16 years	75%

	Workers aged 17–18 years	80%
Latvia	Workers aged 15–18 years	114.4% (LVL 1.36 (EUR 1.93) per hour)
Malta	Workers aged under 17 years	94%
	Workers aged over 17 years	96%
Netherlands	Workers aged 15 years	30%
	Workers aged 16 years	34.5%
	Workers aged 17 years	39.5%
	Workers aged 18 years	45.5%
	Workers aged 19 years	52.5%
	Workers aged 20 years	61.5%
	Workers aged 21 years	72.5%
	Workers aged 22 years	85%
Poland	First year in employment	80%
UK	Workers aged 16–17 years	GBP 3.68 (EUR 4.24) per hour
	'Development rate': 18–21 years (until 2009); 18–20 (from 2010)	GBP 4.98 (EUR 5.74) per hour
	Apprentices (introduced in Oct 2010)	GBP 2.60 (EUR 3) per hour

Notes: Euro conversions, where necessary, used the average exchange rates for 20 and 2009 from the European Central Bank (ECB).

Source: EIRO national centres.

National debates about minimum wages

The recent uneasy times of crisis seems to have (re)opened the debates about the need and importance of establishing national minimum wages and how they are calculated. While, in a number of countries without a national minimum wage, such as Cyprus and Germany, there are some attempts to bring the debate to the front of the political discussion, in other countries, with an established national minimum wage, the discussion is about the calculation method, as in France, Lithuania or the Netherlands. In Sweden the main topic for debate is the reaction, mainly by trade unions to the idea of a European Union wide minimum wage.

The 2011 increase in minimum wages as provided for by existing legislation (in **Cyprus** national minimum wages apply to nine specific occupations: sales staff, clerical workers, auxiliary healthcare staff, auxiliary staff in nursery schools, in crèches and in schools, security guards, caretakers and cleaners) was made part of the work of the Labour Advisory Board and has reignited a debate over readjusting minimum wages. In this context, the Cypriot Government's decision to increase further minimum wages sparked strong opposition from employers, while a small proportion of workers have demanded even bigger increases, along with greater coverage for more occupations, and other benefits as well. More specifically, in view of the global financial crisis, the Cyprus Chamber of Commerce and Industry (CCCI) demanded that no further increases be made to the minimum wage, claiming that in fact it has been increased by a total of

28% over the last four years. However, the Democratic Labour Federation of Cyprus (DEOK) is of the opinion that the minimum wage and all salaries should be increased and maintained at 60% of the national median wage. DEOK has also proposed that:

- the minimum wage should cover all occupations, in all sectors of the economy where there is no sectoral or enterprise-level labour agreement;
- the decree should include other minimum benefits, such as pay indexation, the right to sickness leave, coverage of medical care and inclusion of workers in welfare funds.

In the government's view, the decree on increasing the minimum wage protects the most vulnerable groups, the majority of whom are young men and women employed in jobs not covered by collective labour agreements (**CY1105029I**).

There has been a long and continuing debate on the introduction of a statutory national minimum wage in **Germany** (**DE0409205F**; **DE0608059I**; **DE1110019I**). The trade unions affiliated to the Confederation of German Trade Unions (DGB) want a minimum wage of EUR 8.50 per hour, which is rejected by the Confederation of German Employers' Associations (BDA). Polls show strong public support for a national minimum wage, however, the current conservative-liberal coalition government has so far decided not to introduce one

The possibility of introducing a statutory minimum wage is debated from time to time in **Denmark** was last debated as a means to stop **social dumping** in the construction and the transport sectors, where Central and Eastern European workers are paid much less than the amount specified in the Danish agreements. However, the discussion has faded out every time it has begun.

The **Swedish** (Nordic) system where social partners independently negotiate working conditions and wages without interference from the government, seem to be favoured by both trade unions and employers' associations. No discussions regarding the implementation of a national minimum wage took place during 2010/2011. However, the proposal from the European Trade Union Confederation (ETUC) regarding a union-wide minimum wage was met by massive protests from trade union parties. The Swedish Confederation for Professional Employees (TCO), for instance, argued that the Swedish system was in line with current EU regulations and that the EU minimum wage system would mean that the wages would be set on a supranational level. No major positive reactions on the proposal have been recorded. Nevertheless, national discussions regarding minimum wages in collective agreements took place and the sticking points are that employers' associations want lower wages in order to tackle the high unemployment rate whereas trade unions, such as the Swedish Trade Union Confederation (LO) argue that lower wages won't have any effect on unemployment rates, citing the fact that the lowering of the pay roll tax for young people in 2007 has not resulted in the employment of more young people.

In **France**, a committee of experts has issued an annual recommendation concerning the development of the SMIC since 2009. In its first report the commission advised the government not to increase the minimum above the level of compulsory adjustment for 2010. This should avoid wages placing an additional burden on companies during the crisis. This decision was criticised by the unions and the Socialist Party (PS), which feared a threat to social justice, and decreasing purchasing power that would damage the economy. The current Minister of Labour also refused to increase the SMIC above the compulsory level for 2011, as he expressed concerns about the competitiveness of the French economy.

In **Lithuania**, as the minimum wage was last increased more than four years ago (in January 2008) and is almost the lowest in the EU27, during 2010–2011 trade unions tried several times and by various ways to increase it, however with no success.Demands to increase the minimum wage were made at both mass protest actions organised by trade unions during 2010–2011 – in November 2010 (**LT1010019I**) and in March 2011 (**LT1104019I**). Social partners also discussed the possibility of increasing the minimum wage during negotiations to renew the signing of the

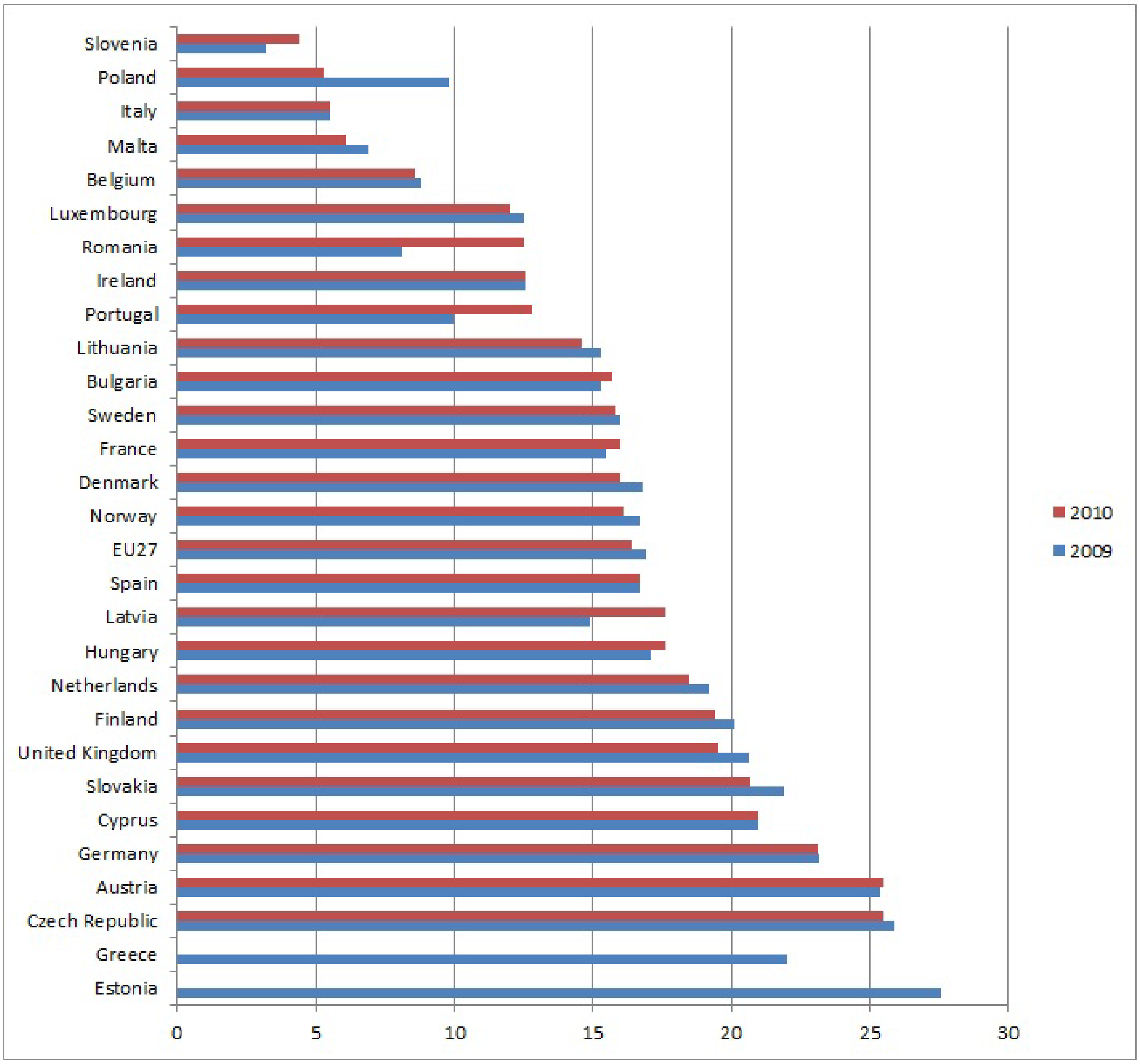
National Agreement. The national agreement, signed between the Lithuanian government and social partners in October 2009, expired at the end of 2010. Despite some shortcomings, all parties supported the idea of signing a new national agreement. Trade unions demanded that the minimum wage should increase from LTL 800 (EUR 232) to LTL 1,000 (EUR 290) and to at least LTL 1,200 (EUR 348) at a later stage (**LT1011019I**). However, after long discussions, social partners failed to agree and the issue of the minimum wage was further discussed by social partners at the sittings of the Tripartite Council of the Republic of Lithuania (LRTT) other meetings of national trade unions, employer organisations and the Government (**LT1102019I**), however with no success (**LT1105029I**).

On 1 July 2011, the **Dutch** Ministry of Social Affairs unilaterally decided to fix the so-called normal working week at 40 hours for the purpose of calculating the level of the minimum wage. Until then, differences in weekly times across sectors and firms were taken into account (for example, 36, 38 and 40 hours), meaning that, in terms of wages, this decision may have positive consequences for some employees but negative for others. Since 2007, the Labour Inspectorate can fine employers for not observing the Act on minimum wages. The yearly number of fines gradually increases, as does the number of court cases where employers challenge the (amount of the) fines. Since 1 January 2010 both the temporary work agencies and the hiring firms are responsible for paying the minimum wage. A bill is pending to increase control of temporary work agencies – fraudulent agencies are responsible for the fact that many employees are underpaid.

Gender pay gap

According to the preliminary figures from Eurostat, there was a reduction in the pay differential among women and men between 2010 and 2011. Calculated in the unadjusted form, the pay gap decreased from 16.9% in 2009 to 16.4% in 2010. This resulted from a generalised reduction of the gender pay gap in the majority of Member States, which, however, did not take place everywhere. In some countries there was, in fact, a widening of the gender pay gap, being greater in Latvia, Portugal and Romania – with increases of, respectively, 2.7, 2.8 and 4.4 percentage points between 2009 and 2010. On the other hand, Poland registered the most significant improvement, reducing the gap from 9.8% to 5.3% and has, in 2010, the second lowest gender pay differential of the EU (see figure).

Figure 3: Gender pay gap in unadjusted form, 2009-2010 (%)



Note: Data for Greece and Estonia, 2008; for Austria, Cyprus, France, Ireland, Italy and Spain, preliminary data for 2010; 2009 and 2010 preliminary data for EU27.

Source: Eurostat, 2012, based on Structure of Earnings Survey.

Figure 3 - Gender pay gap in unadjusted form, 2009-2010 (%)

According to the information gathered for this report, the reduction of the gender pay gap had a small impact in a very limited number of countries. After the collective bargaining rounds in the retail sector in Austria took place in autumn 2011, the newly negotiated agreement was implemented on 1 January 2012 and includes significant improvements in the framework conditions (**AT1201011I**). One of the included measures, which was considered as a step towards reducing the gender pay gap, was the fact that the ten months (in total) of childcare and family care leave periods will be calculated towards the classification in wage groups, as well as for service length bonus payments, irrespective of the length of employment with a specific company, thus taking into account the high fluctuation in the sector.

In Norway, the sectoral collective agreements here mentioned contained a special gender equality wage pot, valid during 2011, (the contribution of NOK 0.50, or EUR 0.06 per hour in the chemical sector, for example, is the same as in the metal sector agreement) which was set aside in order to deal with gender equality issues. These pots are usually earmarked for company level measures, so, for example, the social partners at company level were asked to look into the wage relations between women and men and assess whether there are any inequalities. If no such inequalities are identified, the sum would be distributed as a general increase. That was the case in the retail sector, in which the 2010 gender equality pot was given as a general increase to all employees.

2012 Outlook on pay developments

As this report has shown, the effects of the economic recession over wage setting are still felt throughout the European Union, with the available data showing that, with very few exceptions, the general trend is of very modest pay increases, in general lower than in 2010. All the evidence points in the direction of a continuation of this trend, both in terms of collectively agreed pay increases, at national or sectoral levels, and national minimum wages.

- In February 2012, the Employers and Industrialists Federation (OEB) in Cyprus decided to recommend that enterprises in the private sector freeze wage increases and pay no cost-of-living increases in 2012 and 2013, sparking a major dispute with the trade unions.
- Also in Cyprus, it is estimated that, in 2012 there will be more cuts in pay and privileges for civil servants.
- In Spain, the ministry council froze the wages of civil workers in 2012 and no increase will be applied to the minimum wage.
- Greek social partners and the National General Collective Employment Agreement agreed on an increase of 1.6% as of 1 July 2012 for the private sector.
- The Hungarian government will no longer have to consult unions over setting the minimum wage as of 1 January 2012 (**HU1107021I**).
- Although the Latvian minimum wage increased by 11% in 2011, it did not increase in 2009 and will not do so in 2012.

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