



Wages & The EU

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Outline:

- **The European Social Model & the Lisbon Agenda**
- **What does EU say about Wages/Pay?**
- **Social Dialogue on Wages in the EU**
- **Minimum Wage Regulation**
- **Conclusion - Should There be an EU Wage Policy?**

The European Social Model & the Lisbon Agenda

The European Social Model

- A vision of society that combines sustainable economic growth with ever-improving living and working conditions
- This is what distinguishes Europe from the US model

Features of the European Social Model

- => **Social Citizenship**

=> Economic Citizenship

=> Employment Rights

The Lisbon Target

'The Union has today set itself a new strategic goal for the next decade: to become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion'

Declaration of the European Council, March 2000.

Achievement of this goal
requires an overall strategy



What Does the EU Acquis Say About Wages?

EU Has No Wage Policy Of Its Own

Efforts to Coordinate Wages at European Level

Wage setting is still the responsibility of national social partners and governments

- EU's Broad Economic Policy Guidelines
- The EU Social Charter

Social Dialogue on Wages in the EU



Social Dialogue on Wages in the EU

- The most traditional subject of collective bargaining and social dialogue
- Not part of the European Employment Guidelines....but NOT to be ignored!
- Taken into account - criteria such as inflation, labour productivity, competitiveness and, obviously, the labour market situation

Common Features In Western Europe

- No real European pay-setting system
- Two features are common (at least in Western Europe):
 - => the importance of collective bargaining and the influence of trade unions; and
 - => the structure of collective bargaining which favours intermediate (branch) level.
- Traditional importance of sectoral collective bargaining being weakened

Setting National Standards for Pay Increases

Examples of national agreements which set norms or guidelines for pay increases at the national level: Ireland, the Netherlands, Spain



Setting National Standards for Pay Increases: Netherlands

- Coordination at the national level is nothing new – dates back to Wassenaar Accord of 1982
- October 2003 - Dutch social partners agreed on two years of wage moderation as part of a social agreement with the Government

Setting National Standards for Pay Increases: Spain

- Agreement committing the social partners to pay moderation - pay growth must be in line with Government inflation forecasts and productivity growth
- Included in the agreement is a rule that collective agreements can contain the clause *“as long as this is not contrary to the aim of pay moderation”*.
- Interesting to note that the agreement also offers guidelines

Setting National Standards for Pay Increases: Ireland

- Experience of National Social Partnership Experience 2003-2005
- Dealt both with “special initiatives”, covering a vast range of issues such as affordable housing, migration or multiculturalism, and a detailed pay agreement.
- The Pay Agreement
- The Seventh Successful National Deal

Minimum Wage Regulation

National Rules Guaranteeing Minimum Wages

- In wide application throughout Europe
- Statutory Minimum Wage
- Collective Agreements
- Mixed Model

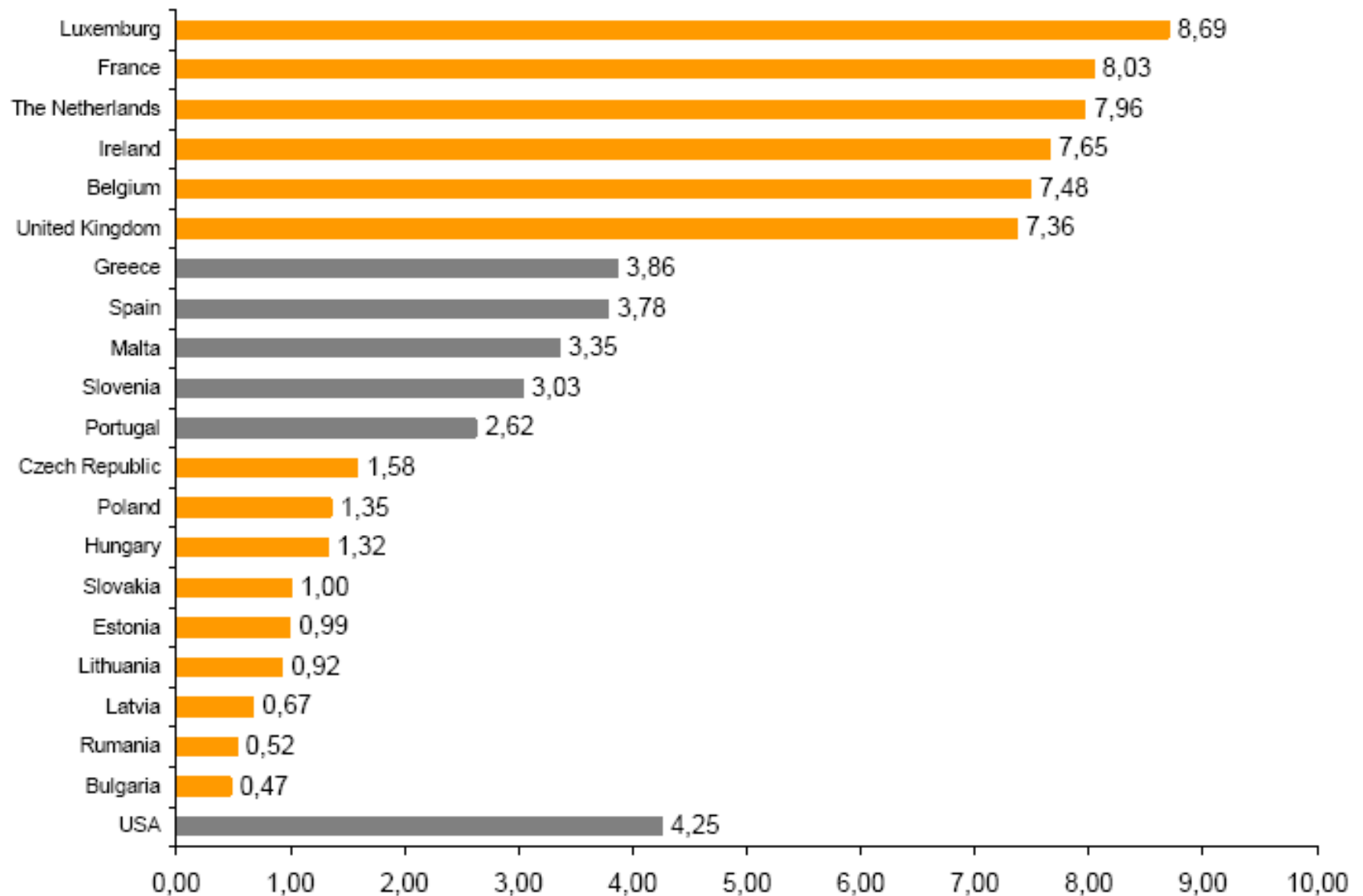
Minimum Wages in EU Member States – a snapshot

- 18 of EU-25 (9 of EU-15) and all new MS except CY) have a statutory minimum wage
- 6 of EU-15 + CY use collective agreements

The EU-18 With a Statutory Minimum Wage

- **Group 1** => relatively high minimum wages of between €7.63 and €8.69 per hour
- **Group 2** => minimum wages of between €2.62 and €3.86 per hour
- **Group 3** => relatively low minimum wages of between €0.67 and €1.58 per hour

Figure 1: Statutory hourly minimum wages in EURO (January 2006)



Statutory hourly minimum rate of pay: Luxemburg, France, United Kingdom, Ireland, USA (UK and USA calculated at rate of exchange from 16.1.06)

Hourly rates of pay calculated on the basis of the following working weeks: 40 hours: Greece, Malta, Slovenia, Hungary, Poland, Estonia, Lithuania, Latvia, Bulgaria, Rumania; 39 hours: Slovakia; 38.5 Portugal were calculated taking the 14 obligatory monthly salaries into consideration.

Source: Eurostat, national data, own calculations

The EU-7 With No National Statutory Minimum Wage

- Scandinavian countries (Denmark, Sweden & Finland), Germany, Austria, Italy and Cyprus
- Functional Equivalents:
 - => High Union Density OR Legal Provisions to Ensure High Coverage +
 - => Functioning System of Collectively Agreed Minimum Wage Protection
- The German Scenario

The Maltese Scenario

The Maltese Scenario - The Milestones

- Stevedores and Port Workers Ordinance of 1939 and the Factories Ordinance of 1940
- CERA (1952) - regulated the relationship between employers and employees including wage rules
- 1974 – Introduction of National Minimum Wage
- EIRA (2002) - Part III of the Employment Relations section of EIRA deals specifically with the protection of wages.

The Maltese Scenario – How Does It Work?

- A statutory minimum wage is set by the government via the National Minimum Wage Standard Order, in accordance with recommendations made by the Employment Relations Board
- Government also establishes sectoral minimum wages in accordance with the ERB
- Collective agreements, which are generally signed at enterprise level, set wages over and above the minimum wage.

The Maltese Scenario - How Does It Work? (Cont.)

- Statutory minimum wage is set on weekly earnings
- Three different minimum wages:
 - ⇒ for workers aged 18+
 - ⇒ for workers aged 17 years
 - ⇒ for workers aged under 17
- The Wages Council Wage Regulation Orders are also set on weekly earnings.

The Maltese Scenario - The Beneficiaries

- National Minimum Wage applies to all employees except for those covered by sectoral Wage Regulation Orders
- WROs cover the following employment sectors and occupations....

Wage Regulation Orders

AGRICULTURE & ALLIED INDUSTRIES	CARGO CLEARANCE & FORWARDING AGENTS	FOOD MANUFACTURING INDUSTRY
BEVERAGE INDUSTRIES	CINEMAS & THEATRES	CLAY & GLASS PRODUCTS
CONSTRUCTION	DOMESTIC WORKERS	ELECTRONICS
CANNING INDUSTRIES	CAR HIRE & PRIVATE BUSES	HOSPITALS & CLINICS

Wage Regulation Orders

LEATHER GOODS & SHOES INDUSTRY	PAPER, PLASTICS, CHEMICALS & PETROLEUM	PRINTING & PUBLISHING
PRIVATE CLEANING SERVICES	PRIVATE SCHOOLS	PRIVATE SECURITY SERVICES
PROFESSIONAL OFFICES	PUBLIC TRANSPORT	SEAMEN
SEXTONS & CUSTODIANS	TEXTILES & ALLIED INDUSTRIES	TOBACCO INDUSTRY

Wage Regulation Orders

HOTELS & CLUBS	JEWELLERY & WATCHES	LAUNDRIES
TRANSPORT EQUIPMENT, METAL & ALLIED TRADES	TRAVEL & INSURANCE AGENCIES	WHOLESALE & RETAIL
WOODWORKS		

Conclusion

A Supranational Wage Policy in Europe?

- Trade Union discussions about a Europeanisation of wage policy are as old as European integration itself
- Social Chapter in Amsterdam Treaty – a legal foundation for framework agreements at EU level between European trade unions and employer bodies.
- Development of a supranational wage policy not only faces numerous institutional obstacles and has to overcome hurdles erected by various interest groups, but is also counteracted by resistance at national level

A European Minimum Wage Policy?

- A recent (2006) study on Minimum Wages in Europe calls for a European minimum wage policy - every country in Europe would be obliged gradually to raise its minimum wage to a level of at least 50% – and, in the future, 60% – of national average earnings
- Implementation - advisable to rely on the ‘open method of coordination’, whereby certain goals and deadlines for implementation are determined at European level, and are then implemented within the framework of the different national institutions and systems
- Will it Materialise?

Thank you for your attention

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