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Between the Crisis and the EU's economic governance regime: European wage-setting mechanisms under pressure

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Introduction

Since the onset of the crisis in 2008, collective wage-setting mechanisms across the EU have come under pressure from employers and the public authorities to become ever more responsive to firms' economic and competitive circumstances, or more 'marketized' (Crouch 2014). The result has been profound changes in wage setting mechanisms in some countries, alongside less far-reaching ones in some others and little, if any change, in yet others. Pressure for further marketization has particularly focused on multi-employer bargaining arrangements, which constitute a fundamental and distinctive institutional feature of wage-setting in continental western and Nordic Europe and whose coverage generally extends to a large majority of the workforce. Under the single-employer bargaining regimes which prevail in the UK, Ireland (since 2009) and much of central eastern Europe, and whose coverage is generally limited to a minority of the workforce (thereby leaving the majority subject to unilateral employer decisions), wage setting was already comparatively more 'marketized' prior to the crisis.

The recent changes have been initiated by a range of actors, including employers and trade unions through collective bargaining, national governments through concertation with the social partners and by imposition, and, externally, the European institutions and the International Monetary Fund (IMF) through recommendations and mandatory requirement. At one end of the spectrum have been changes to wage setting mechanisms negotiated between employers' and trade unions, such as the further decentralisation involving aspects of wage setting in some northern European countries in the early phase of the crisis (Glassner et al, 2011; Ibsen et al 2011). At the opposite end, is the insistence of the 'troika' of European and international institutions (the European Commission, European Central Bank (ECB) and IMF) on major changes to wage setting mechanisms under the Memoranda of Understanding (MoUs) governing the financial assistance packages made available to Greece, Ireland, Portugal, Romania (IMF only), Spain (concerning its banking sector only) and, most recently, Cyprus (Schulten and Mueller 2013; Marginson 2014). Lying somewhere in between are the country specific recommendations (CSRs) issued by the Commission as part of the EU's new European semester macro-economic planning regime, which identify aspects of wage-setting mechanisms deemed in need of reform (Dufresne and Pernot 2013; Schulten and Mueller 2013).

The paper draws on the findings of a comparative study compiled for Eurofound's European Industrial Relations Observatory (Marginson and Welz 2014) based on the responses from the Observatory's national correspondents in the EU's 28 member states plus Norway to a structured questionnaire, issued in the final quarter of 2013, asking about any changes in wage setting mechanisms since 2008 in the country concerned. The findings demonstrate that wage setting mechanisms have indeed become further marketized. But the findings also reveal an extension of state regulation of some aspects of wage setting, notably minimum wages, at the expense of the involvement of employers and trade unions. Further findings indicate that the result of enforced marketization of wage setting under the MoUs imposed by the troika has, in some of the countries

concerned, been a sharp decline in the number of workers covered by collective wage bargaining arrangements.

The paper first review developments in different aspects of wage-setting mechanisms in the period prior to the onset of the crisis in 2008, including decentralisation of the main level(s) of collective wage bargaining, coordination of wage bargaining, growing recourse to opening and opt-out clauses in multi-employer bargaining arrangements, state supports to collective wage bargaining, including the so-called favourability principle and extension procedures, minimum wage setting and wage indexation mechanisms. Second, the data and methods are summarised. Third, findings on changes in wage-setting mechanisms are presented. This is followed, fourth, by an examination of the institutional sources of change in terms of the possible internal and external actors involved. The fifth section discusses the findings and concludes.

Developments in wage setting mechanisms over the decades before the crisis

The recent changes to collective wage-setting mechanisms come after a lengthy period marked by an overall trend towards decentralisation, consistent with a logic of marketization, but characterized by relative stability in other key features. The predominant trend since the 1980s towards more decentralised wage bargaining arrangements (Marginson and Sisson 2004; Visser 2005) reflects sustained pressure from employers for (an element of) wage settlements to reflect firms' competitive circumstances. Decentralisation has involved shifts from the cross-sector to sector levels, where central agreements were in place, and towards opening up greater space for negotiation over wages at company level. In respect of the second, Traxler (1995) differentiates between two forms of decentralisation: 'organised' under which scope for company negotiations is created within the framework of sector (or cross-sector) agreements; and 'disorganised' under which sector frameworks are abolished and wage negotiations move entirely to company level (or are replaced by unilateral management regulation). Organised decentralisation has characterised western continental and Nordic Europe, with the important exception of the UK where the disorganised variant prevailed. In central eastern Europe, the bargaining arrangements established in most countries resembled the single-employer arrangements now found in the UK. Multi-employer bargaining involving sector and/or cross-sector arrangements was established in Romania, Slovakia (to some extent) and Slovenia on a basis consistent to varying degree with organised decentralisation (Meardi 2012). Amongst the countries where multi-employer bargaining arrangements continued to prevail, the overall trend towards decentralisation was tempered in some countries and at particular junctures by renewed initiatives to conclude over-arching central agreements, such as the social pacts which featured in several in the run up to Economic and Monetary Union.

As wage-setting mechanisms became more decentralised, growing attention was paid to the issue of coordination across different bargaining units. With centralised agreements, such as those found across the Nordic countries until the 1980s (and which continue in Norway and, less consistently, Finland), horizontal coordination across different sectors is ensured by the central agreement itself. Under sector- and company-level bargaining arrangements, other mechanisms have to be called upon to ensure horizontal coordination. In the course of investigating the effectiveness of wage bargaining arrangements for macro-economic outcomes, Traxler et al (2001) identified differing modes of coordination including: coordination by the peak-level confederations of employers' and trade unions, as in the Netherlands and Spain; pattern-setting by a key economic sector, often metalworking on account of its exposure to international competition and organised strength on the part of both employers and trade unions, as in Germany and Sweden (since the mid-1990s); and state-led coordination, as in France where government decisions on the level of the statutory minimum wage act as a signal for wage negotiators.

Under organised decentralisation, greater scope for negotiations over at least an element of wage setting has been introduced in various ways (Marginson 2014). One is a shift from specifying actual to minimum wage rates, as is the case in many Danish and most French sector agreements. A second, is to demarcate which element of wages can be negotiated at which level, as in Italy where sector agreements determine general cost-of-living increases and productivity- or performance-related elements of the wage are to be negotiated at company level. Third, is the growing use of opening clauses which allow for the negotiation of company-specific wage elements, such as those involved under variable payments schemes (Nergaard et al. 2009). Fourth, are 'opt-out' clauses, also known as 'hardship' or 'discount' clauses which enable companies to derogate from the wage standards specified in sector agreements, which have proliferated in some countries, including Germany and the Netherlands, over the 2000s (Keune 2011). The grounds for invoking these are most frequently economic difficulties and/or restructuring.

In many countries, multi-employer bargaining arrangements have continued to be buttressed by supportive legal provisions enacted by the state (Traxler 1998). These state supports include: the favourability principle, which stipulates that collective agreements can only improve on legally determined standards, and that lower levels of bargaining, such as the company, can only conclude agreements which improve on the provisions contained in those concluded at higher (sector or cross-sector) agreements; procedures to legally extend the coverage of collective wage agreements to firms, and therefore the workers employed in them, not belonging to the employers' organisation (in the sector and/or territory) concluding an agreement; legal provisions governing which actors are empowered to conclude collective agreements, which (where they exist) generally specify trade unions (in several countries subject to meeting representativeness criteria) as the sole bargaining agent for workers; and, in some countries, measures providing for agreements to continue in force beyond their expiry until a new agreement is concluded. The main exception in terms of these state supports are the Nordic countries, where equivalence has come through a combination of the provisions of basic agreements and, in the case of extension, high levels of union density and employer organisation membership.

These state supports exhibited considerable stability over the period prior to 2008 and, with the exception of continuation of agreements beyond expiry, were widely adopted prior to EU accession amongst the central eastern European new member states (even although sector-level bargaining was the exception rather than the rule in many). In the case of the favourability principle, the main exception was France, where the 2004 Fillon law inverted the principle to give precedence to standards set in company over those contained in sector agreements. The favourability principle remains in force, however, for minimum wages and job classification which were exempted from the law's provisions. In Germany, in the early 2000s employers pressed for a change in the favourability principle where negotiations involved concessions from the workforce in exchange for measures to maintain employment, but without success (Marginson 2014). Concerning extension mechanisms, there has also been little recent change in the procedures involved amongst the twenty-two member states which have these (Kerckhofs 2011). Slovakia is an exception, where there have been frequent changes to the legislation governing extension, variously weakening its effect and then reinstating the previous position following changes in government, in 2004, 2007, 2010 and 2014. The main instance of change in legal provisions governing trade unions' prerogative to conclude agreements is France, where an experimental procedure introduced in 1996 to promote the negotiation of agreements in companies with no union representatives, involving mandating one or more representative unions to authorise the outcomes of negotiation, was generalised in 2000 to promote the negotiated implementation of the 35-hour week. Amongst the countries concerned, there are no indications of changes in the period before 2008 to provisions governing the continuation of agreements beyond expiry.

Two further aspects of collective wage setting (often) have general applicability across the workforce: minimum wage setting arrangements and indexation mechanisms which automatically uprate wages according to movements in prices for goods and services. In 2008, twenty one of the countries of the EU's (current) twenty eight member states set a universal, statutory minimum wage, whilst Cyprus fixed statutory minimum wages for specific occupations and Germany had given binding force to collectively negotiated minima in a few sectors. In the countries with no statutory minimum, Austria, Denmark, Finland, Germany (most sectors), Italy, Sweden and also Norway (included in the empirical analysis below), minimum wage rates are generally set by collective agreements. In most countries with statutory minima, employers and trade unions have some involvement in the process. Amongst western European countries this most commonly entails consultation, although in Belgium and Greece the social partners traditionally negotiated the minimum wage within the framework of the cross-sector agreement, whilst in France the state acted unilaterally. Amongst most central eastern European countries, minimum wages are subject to tripartite agreement or at least an attempt at such (Schulten et al. 2006). In the period leading up to 2008, statutory minimum wages were introduced in two countries: Ireland and the UK, where collective bargaining coverage had steadily receded since the 1980s. In Ireland, increases in the minimum wage were negotiated by employers and trade unions as part of the national wage agreement, whilst in the UK government-decided increases followed the recommendations of a tripartite commission. In Germany, which has seen a steady decline in collective bargaining coverage since the early 1990s, the new government is committed to introduce a statutory minimum wage, with the initial presumption that employers and trade unions will determine increases through negotiation. At first sight, the further spread of statutory minimum wage arrangements might be seen to have displaced the role of collective bargaining in setting wages. On a closer view, however, it has emerged in the face of growing gaps in collective bargaining coverage amongst low paid sections of the workforce. Moreover, employers and trade unions have usually been formally involved in the process which determines its level.

Indexation mechanisms, linking wages to measure of the cost of living, have featured in a relatively small number of countries including, by 2008, Belgium, Cyprus, Luxembourg, Malta and Spain. In the first four countries, the mechanisms involved are statutory in nature although subject to oversight by tripartite bodies. In Spain, the pay guidelines concluded in periodic cross-sector agreements incorporated (up until 2009) official inflation forecasts. Most collective agreements included wage revision clauses which subsequently adjusted wages for any deviation between forecast and actual inflation, thereby acting as a functional equivalent of indexation. The most recent change to this picture was the abolition of Italy's 'scala mobile' in 1992, replaced by a reference cost of living measure for sector-level wage negotiations.

Data and methods

The questionnaire circulated to EIRO's national respondents in the EU's twenty eight member states plus Norway in the autumn of 2013 asked about any changes which had occurred since 2008 to five main dimensions of wage setting:

- main level(s) of bargaining, and whether in the direction of decentralisation or recentralisation
- horizontal coordination across bargaining units, either formal or through informal mechanisms such as pattern bargaining
- linkages between levels under multi-tier bargaining (involving the cross-sector and/or sector and or/ company levels), including hierarchical ordering between levels, opening and opt-out clauses, and extending bargaining competence to non-trade union based representatives
- reach and continuity of collective bargaining, including provision governing, and the use of, extension mechanisms and continuation of agreements following expiry

- minimum wage setting and indexation mechanisms.

In addition, respondents were asked to report on changes in the volume of wage bargaining since 2008 as indicated by the number of agreements concluded.

Of the above five main types of change, three are applicable to wage-setting under both multi- and single-employer bargaining regimes: main bargaining level(s); horizontal coordination across bargaining units; and minimum wage-setting and indexation mechanisms. Two, however, mostly concern multi-employer regimes and are usually not applicable amongst single-employer ones: linkages between levels; and reach and continuity of bargaining. It is therefore useful to identify whether countries are primarily characterised by multi- or single-bargaining arrangements for wage setting. The Appendix Table shows that, for 2008, of the twenty-nine countries covered by the study, multi-employer arrangements were prevalent in eighteen, whilst single-employer ones were prevalent in eight and three had mixed regimes with multi- and single-employer bargaining each covering a part of the private sector. It also shows that by 2011, as a result of significant change, two countries (Ireland and Romania) had shifted from multi- to single-employer regimes.

Where changes to wage setting mechanisms had occurred, the questionnaire went on to ask about which different institutional actors had been involved in shaping the different types of change. The actors concerned included the social partners at cross-sector and sector and levels; national governments; and European and international institutions (the Commission, ECB and IMF). In the case of the European and international institutions, further questioning asked about requirements for changes to wage setting included in the MoUs governing financial assistance packages to the six countries concerned and about CSRs on wage setting and wage policy issued under the EU's new macro-economic governance regime.

Responses were cross-checked for internal consistency and where necessary with other sources, if available.

Main changes in wage-setting mechanisms

Main level(s) of bargaining

Table 1 shows that in twelve countries there has been some change in the main bargaining level(s) at which wages are determined since 2008, including several where the change involved has been considerable. The other seventeen countries reported no changes in level. Of the twelve countries concerned, the dominant tendency was decentralisation, from the cross-sector towards the sector or company levels and/or from the sector towards the company level. This accounted for changes in ten countries: Austria, Bulgaria, Cyprus, France, Greece, Ireland, Italy, Romania, Slovenia, Spain. In two countries, Belgium and Finland, changes were in the opposite direction and involved centralisation. The prevalence of decentralisation since the onset of the crisis continues, and has accelerated, the predominant tendency in the evolution of wage setting mechanisms observed since the late 1980s.

Table 1: Changes in main level(s) of bargaining since 2008

Increased centralisation	Increased decentralisation
BE: Government-imposed outcomes to 2011 and 2013 cross-sector wage bargaining rounds, with no wage margin for further negotiation at sector level.	AT: single metalworking agreement replaced by agreements covering each of six sub-sectors (2012).
FI: Cross-sector wage agreements abandoned in 2007, but returned to in 2011 and 2013.	BG: acceleration of trend for sector agreements to be replaced by company ones.

Increased centralisation	Increased decentralisation
	CY: acceleration of trend for sector agreements to be replaced by company ones.
	EL: legislative changes prioritising the company level and permitting negotiations with unspecified employee representatives in smaller companies prompted an upsurge in company agreements at the expense of sector ones.
	ES: legislative change prioritising the company level, together with social partner encouragement, increased the weight of the company level in wage setting.
	FR: 2000 legislation requires companies with trade union representation to engage in annual pay negotiations.
	IE: breakdown of national wage agreement following employer and government withdrawal (2009).
	IT: 2011 cross-sector agreement weakened sector-level mandate over wage negotiations in favour of the company level.
	RO: cross-sector agreement abolished under 2011 legislation, which also had the effect of paralyzing negotiating activity in newly defined sectors. Wage negotiations now mainly at company level.
	SI: social partners failed to agree on a renewal of the 'fall back' cross-sector agreement, which applied in the absence of a sector one (2009).

Source: EIRO 2014

Horizontal coordination across bargaining units

In the absence of centralised, cross-sector bargaining arrangements, which ensure coordination of wage-setting across different sectors, various mechanisms are evident to effect horizontal coordination across different bargaining units (sectors or, under single-employer bargaining, companies). Table 2 shows that changes occurred in horizontal coordination in six countries: Austria, Hungary, Ireland, Romania, Slovakia, Spain and Sweden.

Table 2: Changes in horizontal coordination since 2008

AT: change in the pattern-setting metalworking sector, with the sector-wide being replaced by six sub-sector agreements in 2012
HU: joint (employer-trade union) recommendation on wage increases, which guided company negotiations, ceased with abolition of tripartite body, OÉT in 2011
IE: termination of national, cross-sector agreement in 2009. Since 2011 jointly (employer-trade union) agreed protocols to orientate company wage negotiations
RO: abolition of the national, cross-sector agreement in 2011
SE: change in the pattern-setting metalworking sector, with white-collar (and not blue-collar) unions concluding first agreement in 2010

Source: EIRO 2014

Linkages between levels under multi-tier bargaining

The procedures governing the vertical ordering between different levels of bargaining, usually based on the favourability principle, have undergone change in three countries (Greece, Spain and Portugal). Changes in, or the introduction of, opening clauses relating to wages occurred in seven countries (Austria, Finland, Germany, Italy, Norway, Portugal and Sweden), whilst opt-out clauses introducing the possibility of derogation from wage standards specified in sector or cross-sector agreements featured in eight countries (Bulgaria, Cyprus, France, Greece, Ireland, Italy, Slovenia and Spain). Bargaining competence has been extended to no-union representatives in four countries, with an important difference between France and Portugal where this is with union consent and Greece and Romania where it is not. Table 3 provides summary information on the changes involved.

Table 3: Changes in linkages between levels since 2008

Ordering between levels	Opening and opt-out clauses	Extending bargaining competence to non-union representatives
	Opening clauses	
EL: 2011 legislation specifying that company agreements have priority over sector ones, although not over the cross-sector agreement, and can entail lower standards.	AT: one-off opening clause allowing in electronics providing the option not to implement the sector wage award in full (2009).	EL: 2011 legislation allowing negotiations with unspecified employee representatives in smaller companies (<50 employees)
ES: 2011 legislation specifying that company agreements have priority over sector and provincial ones, and can entail lower standards.	DE: one-off opening clauses allowing variation in implementation of wage increases in chemicals and metalworking (2009,2010).	FR: 2008 law allowing negotiations with works committees in smaller companies (<200 employees) where no union presence.
PT: 2012 Labour Code specifies that company agreements have priority over sector and provincial ones, and can entail lower standards.	FI: one-off opening clauses allowing variation in implementation of wage increases in several sectors (2010)	PT: 2009 legislation conferring bargaining competence on works councils in larger companies (500+ employees) with trade union consent.
	IT: 2012 cross-sector agreement promoting devolution clauses in sector agreements, aimed at widening the company-level agenda.	RO: 2011 legislation permitting negotiation with unspecified employee representatives where no 'representative' trade union present.
	NO: one-off opening clause in most private sector agreements providing the option not to implement the sector wage increase (2009).	
	PT: 2012 Labour Code enables elements of the sector bargaining agenda to be delegated to company level.	
	SE: 2010 short-time working agreement in manufacturing, facilitating local negotiation over shortened working time to maintain employment.	
	Opt-out clauses	

Ordering between levels	Opening and opt-out clauses	Extending bargaining competence to non-union representatives
	BG: increase in the number of sector agreements with opt-out clauses.	
	CY: increase in the number of sector agreements with opt-out clauses.	
	EL: 2010 legislation introduced possibility for companies in economic hardship to opt-out of sector agreements.	
	ES: 2010 legislation introduced possibility for companies in economic hardship to opt-out of sector or provincial agreements. 2012 cross-sector agreement encouraged inclusion of opt-out clauses in sector and provincial agreements.	
	FR: 2013 cross-sector agreement, translated into law, introduces opt-out clause for companies in economic hardship conditional on no redundancies commitment.	
	IE: opt-out clauses on grounds of economic hardship introduced in sectors governed by binding wage setting mechanisms (REAs, EROs).	
	IT: 2011 cross-sector agreement introduced opt-out clause from sector wage standards on grounds of economic hardship.	
	SI: increase in the number of sector agreements with opt-out clauses.	

Source: EIRO 2014

Reach and continuity of bargaining

Changes to extension procedures have taken place in five countries (Greece, Ireland, Slovakia, Portugal and Romania), whilst there have been changes in their use in three countries (Bulgaria, Germany and Italy, where although there is no legal procedure for extension judicial decisions have underpinned de facto extension of the wage provisions of sector agreements). Changes to clauses providing for the continuation of agreements beyond expiry have featured in four countries (Croatia, Greece, Spain and Portugal). Summary information on the changes occurring is given in Table 4.

Table 4: Changes in the reach and continuity of collective agreements since 2008

Extension mechanism changed	Use of existing extension mechanisms changed	Continuation of agreements beyond expiry
EL: 2011 law in effect suspends extension by restricting its application to employers' association member companies.	BG: activation of hitherto unused extension procedures in some sectors	EL: 2012 law introduced a three-month time limit on continuation of agreements.
IE: extension via Registered Employment Agreements (concluded in some sectors) suspended following 2013 Supreme Court ruling.	DE: increase in the number of sectors where minimum wages declared legally binding, under posted workers legislation.	ES: 2012 law introduced a twelve-month time limit on continuation of agreements.
SK: controversy over whether the consent of individual employers is required before extension procedure applied, resulting in three changes in legislation (2007, 2010, 2014).	IT: court rulings confirming the legal validity of Fiat's new single-employer agreements call into question widespread practice of de facto extension of wage (and working time) clauses of sector agreements.	HR: 2012 law introduced a three-month time limit on continuation of agreements.
PT: 2012 Labour Code restricts extension procedures to sectors where employers' organisation member companies employ >50% of the workforce.		PT: 2009 law introduced an 18 month time limit on continuation of agreements, extendable to 5 years by agreement between the parties
RO: 2011 Social Dialogue Act curtails extension by restricting its application to employers' association member companies.		

Source: EIRO 2014

Minimum wage-setting and wage indexation

Changes to statutory minimum wage-setting procedures took place in ten of the countries with these arrangements (Croatia, Cyprus, Greece, Hungary, Ireland, Poland, Portugal, Spain, Slovakia and Slovenia). In addition, in Germany – where a statutory national minimum wage is due to be introduced by the current government – there was change in the number of sectors specifying statutory minima. Changes to indexation arrangements featured in four (Belgium, Cyprus, Luxembourg, Spain) of the five countries where such mechanisms exist, with debate but no change in the fifth, Malta. In addition, the price index utilised as a reference for sector-level cost-of-living wage settlements in Italy, which can be regarded as a proxy indexation mechanism, was changed. Table 5 summarises the changes involved.

Table 5: Changes to minimum wage setting and indexation mechanisms since 2008

Minimum wage setting	Indexation mechanisms
CY: Memorandum of Understanding governing financial assistance package imposes restrictions on criteria for any increase in the minimum wage, and requires international approval.	BE: 2012 change in the method of calculation to temper effect of price increases on wage indexation.
EL: 2012 law changed minimum wage setting, and froze the minimum wage until 2016. Minimum	CY: 2012 tripartite agreement introduced temporary exemption for companies facing

Minimum wage setting	Indexation mechanisms
wage no longer determined by the social partners through cross-sector negotiations, but by government following consultation with the social partners.	economic hardship. Further changes proposed by government, under the 2013 MoU, include reduced frequency of adjustments, possibility of suspension under unfavourable macro-economic circumstances, replacing full with partial (50%) indexation.
ES: De facto change. Since 2011, government has discontinued previous practice of consulting the social partners before determining the minimum wage.	LU: following the failure of tripartite negotiations over reforming indexation, government suspended operation of indexation mechanism until 2014, imposing fixed-rate increase for 2012-14.
HU: Abolition, in 2011, of the tripartite body which had determined the minimum wage. The new tripartite body has consultative status only, with government now deciding.	ES: Wage guidelines agreed between the social partners no longer incorporate official inflation forecasts (since 2009). Sharp reduction in number of agreements including wage revision clauses, which adjust for deviation between anticipated and actual inflation.
IE: 2010 cut in the minimum wage under the Memorandum of Understanding governing its financial assistance package. Restored in 2012, but required international approval.	IT: 2009 cross-sector agreement introduced a new indicator of expected inflation as the reference point for sector wage negotiations.
PL: De facto change. Failure to agree on minimum wage level in Tripartite Commission, with result that government has unilaterally decided.	
PT: Memorandum of Understanding governing financial assistance package imposes restrictions on criteria for any increase in the minimum wage, and requires international approval.	
DE: increase in the number of sectors with minimum wages declared legally binding.	
HR: Statutory minimum wage introduced in 2008, determined by government according to a formula. Annual uprating introduced in 2013.	
SI: 2010 legislation introducing indexation for the minimum wage.	
SK: 2008 legislative change enabling government to increase minimum wage above level indicated by cost of living formula.	

Source: EIRO 2014

Volume of collective wage agreements

Estimates of the trend in the number of agreements were provided for all but three (Finland, Hungary, Ireland) of the twenty-nine countries. As Table 6 shows, the majority reported either a decline in the number of agreements (13 countries, including Greece) or no change (10 countries). Four countries reported an increase, including Greece where numbers of company agreements increased while those of sector agreements declined.

Table 6: Changes in the number of collective wage agreements since 2008

Decrease	<i>Small</i>	BE BG DE
	<i>In-between</i>	CY EE LT LV PL SK

	<i>Steep</i>	EL(sector) ES PT RO
No change		AT DK HR IT LU NL NO SE SI UK
Increase		CZ EL(company) FR MT

Source: EIRO 2014

The steepest declines in the number of agreements were in Greece (sector agreements), Spain, Romania and Portugal. In Greece as compared to the 70 sector and 67 occupational multi-employer agreements concluded in 2010, only 10 and 2, respectively, were concluded in 2012. In Spain, the number of agreements in force (at sector, provincial and company levels) fell from almost 6000 in 2008 to just over 3,500 in 2012. In Romania, no sector-level agreements have been concluded in the private sector since 2011 when legislation changing the basis of sector-level bargaining took effect. The number of company agreement fell from around 4,800 in 2008 to 2,400 in 2011 before increasing again to over 4,600 in 2013. In Portugal, the UGT trade union confederation's report on collective bargaining in 2013, based on official information provided by DGERT, makes the dramatic decline in the number of collective agreements and the number of workers covered clearly visible when contrasting the years 2008 and 2013. The total number of collective agreements signed in 2008 stood at 295, whereas in 2013 only 94 agreements were signed. In 2008 the number of extensions was 137 and this figure dropped to only 9 in 2013. The combined effect of the two developments was a decline in collective bargaining coverage from 1.9 million workers in 2008 to 242,000 in 2013 (UGT 2014).

Summary

An overview of the different main types of change to collective wage-setting mechanisms, indicating the countries concerned, is provided in Table 7. Three clusters of country according to the number of changes which have occurred can be identified. There have been multiple changes in six countries: Cyprus, Greece, Spain, Ireland, Portugal and Romania, while there have been some changes in four countries: Croatia, Hungary, Italy and Slovenia. In the remaining nineteen countries there have been fewer or no changes.

Table 7: Main types of change in wage setting mechanisms

Type of change	Countries
Main level(s) of bargaining:	
Decentralisation	AT BG CY EL ES FR IE IT RO SI
Recentralisation	BE FI
Horizontal coordination across bargaining units	AT HU IE RO SE SK
Linkages between levels of bargaining:	
Ordering between levels	EL ES PT
Opening and opt-out clauses	AT BG CY DE EL ES FI FR IE IT NO PT SE SI
Extending bargaining competence	EL FR PT RO
Reach and continuity of bargaining:	
Extension procedures	EL IE SK PT RO
Increased / changed use of existing procedures	BG DE IT

Type of change	Countries
Continuation beyond expiry	EL ES HR PT
Minimum wage setting and indexation mechanisms:	
Minimum wage setting	CY DE EL ES HR HU IE PL PT SI SK
Indexation	BE ES CY IT LU

Source: EIRO 2014

The six countries featuring multiple changes have all received financial rescue packages from one or more of the troika of international institutions. The impact of these rescue packages on the changes which have occurred in collective wage setting mechanisms has been extensive (see below). In 2008, prior to the onset of the crisis, multi-employer bargaining constituted the prevalent bargaining regime in five of the six, whilst Cyprus was characterised as ‘mixed’ with both multi- and single-employer bargaining present. By 2012, multi-employer bargaining arrangements had been replaced by single-employer ones in Ireland and Romania. Amongst the other four countries, a distinctive characteristic of their multi-employer bargaining regimes up until 2008 was the weakness or absence of procedural provisions articulating bargaining across the different levels. Changes since then have further weakened the role of higher level (variously cross-sector, sector or provincial) agreements and accorded priority to those concluded at company level.

Amongst the four countries featuring some changes – Croatia, Hungary, Italy and Slovenia these have been primarily driven by domestic institutional actors i.e. governments and/or employers and trade unions (not detailed in the following section, see Marginson and Welz (2014)). EIRO correspondents in the countries reporting few or no changes were asked to indicate possible reasons for the relative stability in collective wage setting mechanisms. Responses were provided for thirteen of the nineteen countries concerned. Four different types of reason were identified, with some countries referring to more than one. First, the absence of a major impact on economic activity under the crisis, and hence pressure on wage setting mechanisms (AT, CZ, NL (until recently), NO, PL). Second, the capacity of existing wage setting mechanisms to adjust to the changed economic conditions was indicated for several countries with multi-employer bargaining arrangements (DE, DK, NL, SE, NO), Slovakia with mixed arrangements and the Czech Republic and UK, with single-employer arrangements. Third, three countries indicated that collective bargaining plays a marginal role in wage setting (LT, LV, PL). In the case of the two Baltic States, concern focused on reducing wage costs, and securing internal devaluation, and did not focus on wage setting mechanisms. Fourth, governments and social partners can resist international pressure for change, as in the case of the recommendation under the EU’s new macro-economic regime for abolition of Malta’s indexation system (see below).

National and international institutional actors involved in changes to wage-setting mechanisms

As noted above, various institutional actors can be involved in shaping the changes in wage-setting mechanisms identified above, including the social partners at cross-sector and/or sector levels, national governments and European and international institutions, including the European Commission, the ECB and the IMF. EIRO correspondents were asked to identify the main sources of change, in terms of the institutional actors involved, for four of the five main types of change (horizontal coordination across bargaining units was the exception). Five possibilities were offered:

- negotiated between social partners at sector level
- negotiated or concerted between the cross-sector social partners
- imposed by national government

- externally influenced e.g. via Country Specific Recommendations (CSRs) under the EU's economic semester system under its new economic governance regime
- externally required or imposed e.g. by the European Commission and/or the ECB and/or the IMF as part of the conditions of a financial rescue package

Correspondents were also asked to indicate any other sources of change: these largely referred to those negotiated between employers and trade unions at company level.

The fourth and fifth possibilities reflect the potential impact of the EU's new 'European semester' macro-economic planning regime and the conditions specified in the MoUs, between the troika and the national governments concerned, governing the financial assistance packages to six countries. Concerning the fourth, the introduction in 2011 of the new 'European semester' macro-economic planning system, which strengthens European Commission surveillance of member states' macro-economic policy, has brought wage-setting mechanisms within the ambit of the economic governance regime of the EU (Erne 2012). In March 2011 the governments of the then 17 Eurozone countries agreed a 'Euro-plus pact', subsequently signed by a further six governments with the Czech Republic, Hungary, Sweden and the UK remaining as non-signatories. Whilst formally respecting the autonomy of member states in respect of wage setting, the pact includes a commitment to review wage setting mechanisms in the context of promoting wage increases that remain in line with productivity. Particular attention was drawn to the degree to which bargaining is centralized and the effects of wage indexation mechanisms. Second, the so-called 'Six Pack' of regulations on economic governance adopted by the European Council in October 2011 strengthened EU-level economic governance mechanisms and, amongst Eurozone countries, introduce the possibility of sanctions being invoked in the case of countries with persistent macroeconomic imbalances. The regulations reinforce the powers of the Commission in relation to surveillance of wages policy and unit labour costs, and refer to reform of wage-setting arrangements amongst the possible corrective measures that can be required. The reinforced powers enable the Commission to issue 'Country Specific Recommendations' (CSRs) as part of the annual European semester macro-economic planning system.

Table 8 summarises the findings, and shows whether a given institutional actor has featured in at least two countries and the most prevalent source of influence over the changes which have occurred.

Table 8: Main institutional sources shaping changes in different aspects of wage setting mechanisms

	Negotiated by sector [or company] social partners	Negotiated or concerted by the cross-sector social partners	Imposed by national government	Externally influenced	Externally required
Main bargaining level(s)	X	X	X	X	
Ordering between levels			XX		XX*
Opening and opt-out clauses	X	X	X	X	
Extending bargaining			XX		XX

	Negotiated by sector [or company] social partners	Negotiated or concerted by the cross-sector social partners	Imposed by national government	Externally influenced	Externally required
competence					
Extension mechanisms			XX	X	X
Continuation beyond expiry			XX	X**	
Minimum wage setting			XX		X
Indexation mechanisms		X	X	XX	

Key: X = source identified in at least two countries, XX = (joint) most prevalent source

*Notes: * = required (EL, PT) or influenced (ES) in all three countries for which data provided; ** =influenced (ES) or required (EL) in two of the five countries for which data provided*

Source: EIRO 2014

A striking feature is that for five of the eight aspects, imposition by national government has been the (joint) most prevalent source of changes: ordering between levels of bargaining; extending bargaining competence to other employee representatives; extension mechanisms; continuation of agreements beyond expiry; and minimum wage setting arrangements. With the exception of one issue, imposition by national government mainly features among those countries which have been subject to financial rescue packages by the troika. The exception is minimum wage setting, where governments in a wider range of countries have introduced changes to minimum wage-setting arrangements. In some instances, including Croatia, Slovakia and Slovenia, these have strengthened rather than weakened minimum wage protection.

Conversely, changes on the above five aspects have generally not been the subject of negotiations between the social partners. Main level(s) of bargaining and opening and opt-out clauses are the two aspects on which negotiations between either the cross-sector or sector the social partners, taken together, have been more, or as, prevalent as government imposition as a source of change.

The impact of the European and international institutions on each of the eight aspects of wage setting, either via the CSRs issues under the new macro-economic governance regime or through the terms of the MoUs governing financial assistance packages, is also very apparent. External influence or requirement, or both, featured in at least two countries where changes have occurred for each of the eight aspects of wage setting. For three aspects, external actors were the (joint) most prevalent source of influence: ordering between levels, hitherto consistent with the favourability principle, where government-imposed changes were either externally required (Greece, Portugal) or influenced (Spain) in all three instances; extending bargaining competence to non-union employee representatives, where this was a requirement under MoUs for three of the four countries concerned (Greece, Romania, Portugal, not France); and indexation mechanisms, where changes either negotiated between the social partners or imposed by governments were also the subject of CSRs in four of the five countries concerned (Belgium, Cyprus, Luxembourg, Spain, not Italy). On a fourth aspect, extension mechanisms, in four of the five countries (Slovakia the exception) featuring government-imposed changes, these were either required under MoUs (Greece, Portugal) or

although not specified in MoUs were reported to have been influenced by the troika (Ireland, Romania). For a fifth, continuation of agreements beyond expiry, changes in two of the four countries concerned had either been influenced (Spain) or required (Greece) by the European and international institutions (no external impact for Croatia or Portugal). On the remaining three aspects, the European and international institutions have had an impact on the changes in a minority of the countries concerned.

More specifically, changes to wage-setting mechanisms have been required under the MoUs governing the packages provided by the troika to five countries – Cyprus (which have been subject to CSRs prior to its 2013 financial assistance package), Greece, Ireland, Portugal and Romania. For these five countries, no (additional) CSRs have been specified. Changes to wage setting mechanisms were not required under the MoU for the sixth country concerned, Spain. Of the other twenty-three countries covered in the study, Norway is not covered by the EU’s macro-economic planning regime as it is not an EU member state whilst Croatia only became part of the European semester system from the start of 2014. Setting aside these two countries and the five covered by MoUs, CSRs have been addressed to six (out of twenty two) countries concerning aspects of their wage-setting mechanisms in at least one of the three years (up to and including 2013) during which the semester system has operated: Belgium, Cyprus, Italy, Luxembourg, Malta and Spain. In addition, a further five countries have been subject to CSRs on wage developments or policy: Bulgaria, Finland, France, Germany and Slovenia. These recommendations on wage policy may or may not carry indirect implications for wage-setting mechanisms. This leaves eleven countries where neither wage setting mechanisms nor wage policy have been the subject of CSRs: Austria, Czech Republic, Denmark, Estonia, Hungary, Lithuania, Netherlands, Poland, Slovakia, Sweden and the UK.

Table 9: Outcome of recommendations and commitments on wage setting mechanisms under the new EU economic governance

Country	Recommendation / commitment	Outcome
Belgium	CSR: reform the system of wage bargaining, and wage indexation in particular	The system of wage bargaining has not changed, but government intervened following a failure to agree in cross-sector wage negotiations for 2013-14 to impose a settlement. On indexation, the government decided to retain automatic wage indexation but to temper its effect by changing the reference basket of goods and services.
Cyprus	CSR: reform the system of wage bargaining, and wage indexation in particular	The government brought forward proposals in 2012 for reform of indexation, introducing temporary exemption for companies facing economic hardship, which received reluctant approval from the three main trade union confederations in a tripartite agreement. Subsequently, wider ranging changes were required

Country	Recommendation / commitment	Outcome
		under the 2013 MoU.
Italy	CSR: monitor and, if needed, reinforce implementation of the new wage setting framework	The changes in wage setting mechanisms that have taken place are broadly in line with those indicated in EU policy documents and in recommendations, but cannot be attributed to them.
Malta	CSR: 'change' (2011), subsequently 'review' (2012) system of wage indexation	Following 2011 'change' recommendation, the government decided to retain indexation citing its foundation in social dialogue, role in underpinning cooperative industrial relations and contribution to economic stability.
Spain	CSR: predominance of provincial and sector agreements leaves little space for negotiation at company level, which should be promoted; review automatic extension of agreements beyond expiry pending renewal; review wage indexation system (wage revision clauses), which contributes to wage inertia.	Legislative measures which accord priority to company over provincial and sector agreements, and time limit automatic extension of agreement beyond expiry. Social partners removed official inflation forecasts from agreed cross-sector wage guidelines (2010, 2012), thereby discouraging inclusion of wage revision clauses in agreements

Source: EIRO 2014

The outcome of the CSRs on wage-setting mechanisms varies considerably in terms of subsequent action taken, as Table 9 shows. In some cases, the recommendations would seem to have been taken up and implemented as in Italy and Spain. Caution, however, is needed in assuming a link between cause (the recommendation) and effect (the outcome). In Italy, it was reported that although the nature of the changes that have occurred is broadly in line with those suggested in the CSR, the actual changes cannot be attributed to influence from the EU. In Spain, the CSR coincided with the election in 2011 of a government already committed to introduce several changes along the lines proposed; its main effect may have been to enhance the legitimacy of the measures concerned. In other cases, recommendations are reported to have had no discernible impact, as in Malta where the government has asserted the benefits of the indexation mechanism in the face of CSRs to initially 'change' and subsequently 'review' it. In a third group including Belgium, Cyprus and Luxembourg, the outcome lies somewhere in between. In Belgium, the government has decided to retain the indexation mechanism but introduced changes which moderate its impact. In Cyprus, prior to the 2013 financial assistance package, the government had likewise opted to retain indexation, but brought forward proposals to moderate its impact. In Luxembourg, the government temporarily suspended the indexation mechanism.

Turning to the five countries where changes to wage-setting mechanisms have been required under the MoUs governing financial assistance packages, specific measures were detailed in the case of four of the five countries (in the case Romania's Loan Agreement with the IMF the measures

required were specified in more general terms). In Greece, Portugal and Romania the measures implemented by governments in response to the respective MoU requirements have, in each case, effected significant change to several aspects of wage-setting mechanisms, as elaborated in the previous section. In Cyprus, the measures implemented in response have focused on two aspects of wage setting: changes to the indexation mechanism and the level of the minimum wage. In Ireland, the focus has also been on two aspects: legally-underpinned mechanisms for wage setting in certain sectors where trade union organisation is weak (Employment Regulation Orders) or collective bargaining coverage is partial (Registered Employment Agreements); and the level of the minimum wage. Overall, recalling that multi-employer bargaining arrangements predominated in four of the five countries before the onset of the crisis in 2008, and was also present in Cyprus, the most wide-ranging changes have been required in the three countries where sector-level bargaining was well established and the scope for company bargaining was least: Greece, Portugal and Romania.

Overall, sixteen of the twenty-seven countries which are covered by the EU's new economic governance regime have received either CSRs, addressing either wage setting mechanisms or wages policy (with possible indirect implications for wage setting arrangements) or have been subject to MoUs which require changes in wage setting mechanisms. A common feature of these sixteen is that either multi-employer bargaining regimes prevail or there are mixed regimes. Fourteen out of nineteen such countries have been targeted as compared to two of the eight countries where single-employer arrangements prevail. Reflecting this, the CSRs and MoU requirements have tended to focus on strengthening adjustment capacity and responsiveness to business circumstances at company level under multi-employer bargaining regimes, and on minimum wage setting and indexation mechanisms. Whereas the outcome of CSRs is rather variable, the requirements specified under the Memoranda of Understanding have had significant effects on wage setting mechanisms.

Discussion and Conclusion

There is considerable variation between countries in the extent to which wage setting mechanisms have been subject to change. Change has been concentrated amongst six countries, whose wage setting mechanisms have each undergone multiple changes: Cyprus, Greece, Ireland, Portugal, Romania and Spain. All six have been in receipt of financial assistance packages from troika, comprising the ECB, the European Commission and the IMF. Under the MoUs governing these packages, changes to wage setting mechanisms were required for each of these countries with the exception of Spain. In a further four countries, there have been some changes to wage-setting mechanisms: Croatia, Hungary, Italy and Slovenia. Here change has been primarily driven by domestic actors – either governments or employers and trade unions, although for Croatia EU accession has also been an influence. Wage setting mechanisms in a majority of countries, nineteen, have seen fewer or no changes since 2008. The reasons for this include: relative stability include the relatively muted impact of the crisis in some countries; the marginal role of collective bargaining to wage setting in a few; and the capacity of existing wage-setting arrangements to respond to abrupt change in economic conditions triggered by the crisis. This last was demonstrated by multi-employer bargaining arrangements in Germany, the Netherlands and the Nordic countries, single-employer ones in the Czech Republic and UK and mixed arrangements in Slovakia (Glassner et al. 2011).

As for the different types of change to wage setting mechanisms, those which primarily stem from negotiations between employers and trade unions, at cross-sector or sector level, can be distinguished from those which were primarily imposed by national governments. A further feature of the latter is the extent to which changes imposed by national governments were externally influenced or required by the European and international institutions. Amongst the different changes, further decentralisation of the main level(s) of bargaining and increased use of opening and opt-out clauses were as and much more likely, respectively, to result from negotiations between the

social partners than from intervention by governments. These two developments, both consistent with 'marketization' (Crouch 2014) of collective wage setting, represent an extension of trajectories of change which were well established before the onset of the crisis, rather than a discrete, crisis-induced shift. The further marketization entailed is evolutionary and internally driven by the parties concerned.

In contrast, the changes involving government intervention tended to mark a departure from existing arrangements rather than an extension of pre-existing trajectories of development. The 'marketization' involved is disruptive and enforced. Most prominent are the multiple, government imposed changes substantially reconfiguring wage-setting mechanisms amongst the six countries receiving financial assistance packages from the troika. As highlighted above, in all but Spain, the changes concerned have been, for the most part, directly required under the MoUs governing these packages. The current Spanish government, meanwhile, has pretty much replicated the kinds of changes that might have been demanded by the troika (Meardi 2014). A key feature of the resultant, enforced marketization has been the removal or decisive weakening of long-established state supports to multi-employer (wage) bargaining. The supports involved are fourfold: the favourability principle governing the ordering between different levels of bargaining; extension procedures; legal rules governing trade union prerogatives to conclude wage agreements on behalf of workers; and those providing for the continuation of agreements beyond expiry. The removal of these long-established supports could well herald the unravelling of multi-employer bargaining arrangements in Greece, Spain, Portugal and (in those sectors where they prevail) Cyprus, as has already largely occurred in Romania and Ireland following the abolition of the cross-sector agreement by government, along with induced paralysis of sector-level bargaining, in the former and its collapse in the latter.

Government imposition is also to the fore in the changes to minimum wage-setting and indexation mechanisms which have taken place amongst a wider range of countries. Here, another logic, of social partner exclusion, is apparent as well as that of marketization. In four countries, the role of the social partners in determining the minimum wage has been reduced (Ireland, Spain) or removed (Greece, Hungary) altogether. In addition, the role of the social partners has been temporarily circumscribed in Cyprus and Portugal, since any increase in the minimum wage is subject to strict troika criteria and approval. Changes to indexation mechanisms, aimed at diluting the link between price movements and wage adjustments, reflect more a marketization logic, although on this also governments in Belgium, Cyprus and Luxembourg have side-lined the social partners and imposed change themselves. It is important to note that increased government intervention in collective wage-setting need not always result in weakened mechanisms. In contrast to the weakening of minimum wage protection evident amongst the troika countries, the effect of recent interventions has been to augment minimum wage protection in three central eastern European countries (Croatia, Slovakia, Slovenia).

While the impact of the troika in inducing far reaching changes to wage setting mechanisms is indisputable, the influence of CSRs under the EU's new, European semester macro-economic planning regime is, as shown above, more variable. Nonetheless, as with requirements under the MoUs, a noticeable feature of the CSRs is the emphasis they place on collective wage setting becoming more marketised. CSRs have focused on further decentralisation of bargaining structures to enhance scope for company level negotiation (and variation), and on minimum wage-setting and indexation mechanisms which are both also seen to inhibit the operation of market influences on wage-setting. As such, CSRs have been targeted at countries with multi-employer, rather than single-employer bargaining arrangements. Wage setting in the latter is regarded as already being substantially marketized, with unilateral management usually more widespread than collective wage setting. The countries where multi-employer bargaining represents the predominant wage setting

regime divide into two groups. In some, such as Germany, the Netherlands and the Nordic countries, marketisation in the shape of considerable scope for company-level negotiation within the framework of the sector agreement, was already well developed and has been taken further. It is elsewhere, and particularly amongst the countries of southern Europe, including the four in receipt of financial assistance packages from the troika, that the pressure for, and the extent of, further marketization has been greatest. So long as European and international institutions continue to uphold the virtues of more marketised collective wage setting arrangements, external pressures on these countries for further changes seem unlikely to recede in the foreseeable future.

The changes occurring to collective wage setting under the impact of the crisis and that of the EU's new regime of macro-economic governance can be framed in terms of shifts in prevailing modes of governance (Crouch 2005). The undermining, and potential unravelling, of multi-employer bargaining arrangements amongst the troika countries in particular translates into the destabilising of associational governance. Conversely, the role of a mix of market regulation and corporate hierarchy has been augmented, in which wages are set either through single-employer bargaining or, more commonly, unilateral management decision. So too has the role of government action, in the domain of minimum wage setting in particular. In short, associational governance, which hitherto has been a defining characteristic of wage-setting arrangements in the EU, finds itself in parts of Europe confronted with a pincer movement favouring market regulation and/or corporate hierarchy on the one hand and government actions on the other.

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Appendix: Prevalent bargaining regime

Country	Multi-employer (MEB) or Single-employer (SEB) bargaining prevalent	
	2008	2011
Austria	MEB	MEB
Belgium	MEB	MEB
Bulgaria	Mixed	Mixed
Croatia*	MEB	MEB
Cyprus	Mixed	Mixed
Czech Republic	SEB	SEB
Denmark	MEB	MEB
Estonia	SEB	SEB
Finland	MEB	MEB
France	MEB	MEB
	2008	2011
Germany	MEB	MEB
Greece	MEB	MEB
Hungary	SEB	SEB
Ireland	MEB	SEB
Italy	MEB	MEB
Latvia	SEB	SEB
Lithuania	SEB	SEB
Luxembourg	MEB	MEB
Malta	SEB	SEB
Netherlands	MEB	MEB
Norway	MEB	MEB
Poland	SEB	SEB
Portugal	MEB	MEB
Romania	MEB	SEB
Slovakia	Mixed	Mixed
Slovenia	MEB	MEB
Spain	MEB	MEB
Sweden	MEB	MEB
United Kingdom	SEB	SEB

Source: J Visser, ICTWSS Database, Version 4, 2013

Notes: The coding as MEB or SEB is derived from the ICTWSS Database measure of 'Level', the predominant level(s) at which wage bargaining takes place.

values of 3, 4 and 5 indicate that the sector and/or the cross-sector level is predominant: these correspond to multi-employer bargaining (MEB);

a value of 1 indicates that the establishment or company level is predominant: this corresponds to single-employer bargaining (SEB)

a value of 2 indicates an intermediate situation where sector and company negotiations each, respectively, account for at least one-third of those covered by collective wage setting arrangements. ICTWSS codes five countries as 2: BG, CY, FR, LU and SK of these five countries, three are classified as 'Mixed' in the table: BG, CY, SK. Two countries, FR and LU, are classified as MEB: in the former, the wage provisions of sector agreements are almost universally subject to legal extension, whilst in the latter the cross-sector indexation mechanism accounts for an important component of wage increases.

*Croatia is not included in the ICTWSS, and for 2011 has been coded on the basis of the EIRO country profile.

Change in bargaining regime shown in bold.