

NEW EUROPEAN ECONOMIC GOVERNANCE IS IMPORTANT – HOWEVER EU MUST NOT INTERVENE WITH NATIONAL WAGE SETTING

CEEMET underlines the importance of the EU's Europe 2020 strategy and new Economic Governance in restoring international competitiveness and economic growth in Europe. CEEMET insists though that the European institutions must respect the autonomy of social partners / employers and workers and does not intervene with wage setting at any level.

CEEMET is convinced that increased economic policy cooperation and strong economic governance is needed to ensure a well-functioning and globally competitive European economy.

As early as in 2011 CEEMET had expressed its strong support for the approval of the recommendations for the Euro area to help Member States restore and maintain economic stability and adjust imbalances within the Euro area. Improving European competitiveness and reinforcing the sustainability of public finances is essential for the future of Europe.

As is underlined in the Industrial Policy Communication of October 2012, from the European Commission, we cannot continue to let

our industry leave Europe when it is evident that European industry can deliver growth and can create the employment that is needed to bring Europe back on track. We need to ensure that the right framework conditions are in place for an internationally competitive and sustainable economy in Europe with a skilled and efficient workforce.

However, whereas we fully support the underlying idea of an improved economic policy coordination at European level, European manufacturing industries are strongly concerned about the monitoring procedure and even more about the corrective arm procedure within the macroeconomic imbalance procedure (MIP), in particular when it comes to indicators that are related to wages and wage setting.

The MIP which is part of the EU's new rules on economic governance aims to prevent and correct macroeconomic imbalances within the EU. It is based on a scoreboard system that includes indicators and thresholds for changes in nominal unit labour cost.

CEEMET members see a risk that this could ultimately result in the opening of an excessive imbalance procedure and lead to corrective actions and sanctions in matters related to wages and wage setting. In this context we see a clear threat for the autonomy of social partners and employers and workers to negotiate wages, whether it be at company or national level.

As collective bargaining is an essential part of setting the terms and conditions for the relationship between employer and employee in most member states in the European Union, the rules and regulations concerning the preconditions for these bargaining processes are of utmost importance.

Experience shows that imbalances between the social partners when it comes to the possibility to apply pressure via industrial action continuously creates situations where wage-bargaining leads to a loss of competitiveness and cost crises. The competitiveness of the MET-sector in Europe is therefore very much dependent of the right institutional framework for collective bargaining. This framework is clearly a national issue and falls



well outside the scope of European Union competence.

Another aspect of wage-bargaining is that European industry is constantly becoming more and more specialised and the economic situation thus differs substantially between companies. Therefore, to ensure the competitiveness of European industry it is necessary to have flexible collective agreements as well as decentralised wage-bargaining available. If collective bargaining focuses on the macro perspective and very little on the company perspective we will not achieve our targets.

During the financial and economic crisis, social partners of the manufacturing industries have shown great responsibility and negotiated –at all levels- many innovative agreements that have saved both companies and jobs. We consider the view that might prevail at the level of some heads of states and governments, that wages could be better set with interventions based on Commission assessments and recommendations, as a dangerous encroachment on the foundations of the social market economy and a competitive industry with a system of open and competitive markets as enshrined in the Treaty.

Further, the discussion on differentiated minimum wages presented in the **Commission's** 2012 Employment Package with the ideas of setting up a “tripartite format for the monitoring of wage developments” as well as wage setting mechanisms is strongly rejected by CEEMET. CEEMET underlines that the European institutions have to fully respect the autonomy and responsibilities of the social partners in this context, whether it is at the company or at the national level.

CEEMET agrees with the Commission's assessment that wage developments have to evolve in line with productivity, which can best be measured at company level, in order to avoid distortions frequently seen when calculated at national or sectoral level. The ideas presented in the Employment Package regarding wages, including minimum wages, will work together with the benchmarks set in the European Economic Governance and risks creating a wage range for Europe and setting a European minimum floor for wages. De facto, this concept

would in the long-term lead to an enforced harmonisation of wages within the European Union, which would have extremely negative consequences on the international competitiveness of European manufacturing and the people working in this industry – an industry that is supposed to be key to bringing Europe back on track. Such a concept, we consider, would not be consistent with a social market economy, which the members of CEEMET support.

It seems that the Commission does not take into consideration the psychological factors of collective wage bargaining, as well as the potential damage to wage-bargaining and the autonomy of the social partners that some kind of benchmarking endorsed by the Commission within a tripartite process can create.

The European Union must fully adhere to the stipulations of the TFEU according to which it has to take into account the diversity of national industrial relations systems and respect the autonomy of social partners. This includes in particular wage bargaining issues, which is excluded by many Member States from the competence of heads of state and governments and left entirely to social partners, including employers and workers at company level, to determine.

Irrespective of these principle concerns, we do not see a need to create double structures at the European level through the installation of a tripartite format for the monitoring of wage developments.

There is already a process in function in the form of the **macroeconomic dialogue** (MED), between the Council, Commission, European Central Bank and social partners. The MED is designed to ensure mutually supportive interaction between wage developments and monetary, fiscal and structural policies conducive to non-inflationary growth. The MED clearly underlines the social partners' responsibility for wages and CEEMET would like to underline in this respect the particular responsibility of the sector level.

Wages and wage related costs are important elements in determining the competitiveness of a company and beyond that of industries and countries. So far the social partners have shown



great responsibility and sense of proportion in their wage negotiations. In order to keep a competitive industry in Europe we call upon the European Council and the European Commission to not interfere into wage setting issues unsuitable to the social market economy, key to growth and international competitiveness.

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About CEEMET:

CEEMET is the European employers' organisation representing the interests of the metal, engineering and technology-based industries. Its members are national employers' organisations and federations, representing 200 000 member companies across Europe. The vast majority of them are SMEs, providing over 13 million jobs of direct employment.

