European Foundation for the Improvement of Living and Working Conditions

Pay developments – 2010

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EIRO's annual analysis of pay trends for 2010 finds that average collectively agreed nominal wage increases were lower than in 2009 in almost all 13 countries with available data, with Malta being the exception. The highest reductions in nominal pay increases were in Slovakia (5.5% in 2009 to 2.2% in 2010), Austria (3.4% to 1.6%), the Netherlands (2.7% to 1%) and Belgium (2.5% to 1%). Taking into account inflation, 2010 marked a turning point in many countries as collectively agreed pay did not compensate for price developments. Real increases in collectively agreed pay were negative in the UK (-1.5%), Belgium (-1.3%) and Austria (-0.1%), and only moderate increases were recorded in the Czech Republic (1.9%), Slovakia (1.5%) and Portugal (1%). The report also examines collectively agreed pay increases in three selected sectors (metal, banking and local governments), developments on minimum wages and youth pay rates, and gender issues in collective pay setting.

Introduction

Wage setting is of vital importance in industrial relations in all countries. Differing national systems of pay formation, industrial relations, taxation and social security, and the divergent 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 in some countries, 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, the tradition or 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. As this report finds, the majority of countries and sectors have experienced a considerable decline in the rates of collectively agreed pay increases during 2010. Negotiations were often hard, it took longer to come to some conclusions, and in some cases the duration of existing agreements was prolonged whereas in other cases collective bargaining on wages was even discontinued. Particularly in the countries hardest hit by the crisis, national actors have started to discuss and adjust their usual ways of pay setting already in 2010. Further adjustments are to be expected in future.

The issue of future wage developments is a crucial building block for ways out of the crisis for different reasons. On the one hand, it is argued that moderate wage developments in line with or below the level of productivity increases can foster the competitiveness of companies or economies in international markets and could help promote an export-led recovery. On the other hand, maintaining and even fostering the purchasing power of European workers in line with price developments, secures and ensures the levels of consumption, and will thereby help promote an internal demand-led growth of the EU economy.

Within the 'Euro plus pact', governments of the euro zone countries (to be joined by other Member States as well) have agreed already in 2011 that there will be an emphasis in the future to keep costs in line with productivity, while respecting national traditions of social dialogue and industrial relations and the autonomy of the social partners in the collective bargaining process. While monitoring unit labour costs, wage-setting arrangements and 'where necessary, the degree of centralisation in the bargaining process', and indexation mechanisms will be reviewed. Additionally, it is argued 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 2010 in the EU and Norway, drawing comparisons with 2009. It aims to relate national data on collectively agreed pay to the national systems of pay setting and reports on changes of the latter, 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 2010 and presents trend developments compared with 2009;
- it 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;
- it also looks into the 2010 pay-setting developments within three sectors: metal, banking and local governments;
- it 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;
- the report also includes a brief section on gender issues addressed in collective pay setting and concludes with a brief outlook on the developments in 2011.

An overview by EIRO of the wage formation and pay bargaining systems in the various countries is also available (TN0808019S).

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). A detailed description as to how data have been collected and how an 'average' figure for each country has been derived will be published separately (available soon on the Eurofound website). 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 below clearly demonstrates that in 2010 collectively agreed pay increases have been lower than those in 2009 in almost all countries where figures are available. Malta is the exception with an average collectively agreed pay increase of 2.5% in 2010, compared with 1.8% in 2009.

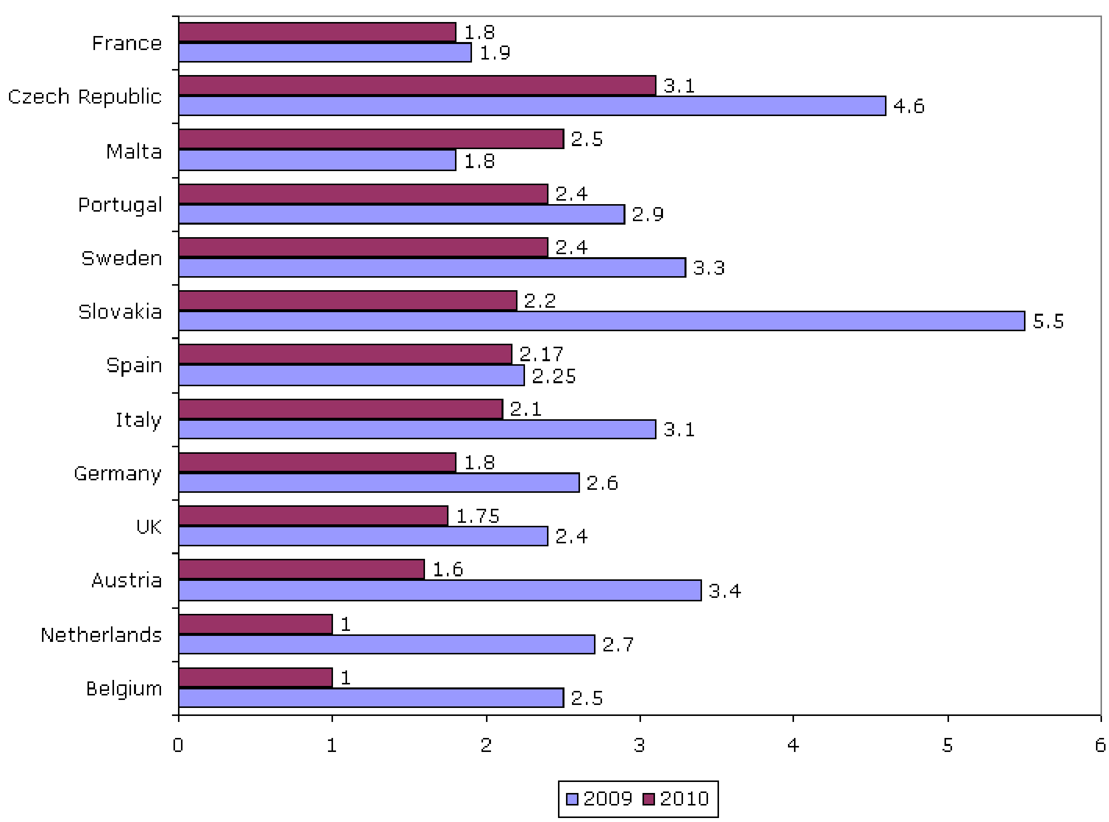
The **highest relative reductions** in the increase of collectively agreed pay were recorded in Slovakia (5.5% in 2009 and 2.2% in 2010, concerning basic wages), Austria (3.4% in 2009 and 1.6% in 2010), the Netherlands (2.7% in 2009 and 1% in 2010) and Belgium (2.5% in 2009 and 1% in 2010).

Medium-level reductions of nominally collectively agreed pay increases in relation to the previous year were recorded in the United Kingdom (2.4% in 2009 and 1.8% in 2010), Germany (2.6% in 2009 and 1.8% in 2010), Italy (3.1% in 2009 and 2.1% in 2010), Sweden (3.3% in 2009 and 2.4% in 2010) and the Czech Republic (4.6% in 2009 and 3.1% in 2010).

Relatively low reductions of nominal collectively agreed pay increases were recorded in Portugal (2.9% in 2009 and 2.4% in 2010), Spain (2.3% in 2009 to 2.2% in 2010) and France (from 1.9% to 1.8%). In Spain, the deviation of the 'average' collectively agreed nominal pay from what has been agreed upon by social partners at national level (that is, a maximum rise of 1% in 2010) in the 'Agreement for employment and collective bargaining 2010–2012' (**ES1002019I**) could be explained as follows:

- the average figure provided also includes agreements that were concluded earlier than the national agreement, but were still in place in 2010;
- the national-level agreement is a recommendation, therefore it is not mandatory;
- some agreements have wage review clauses in order to compensate for deviation between the pay increase agreed and the real increase in the Retail Prices Index (RPI). In this sense, as the real inflation rate recorded in 2010 has been higher than the references approved for salary increase, agreements with wage review clauses would probably have compensated for this difference.

Figure 1: Average nominal collectively agreed pay based on collective agreements databases, 2009 and 2010 (%)



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

Collectively agreed pay in real terms

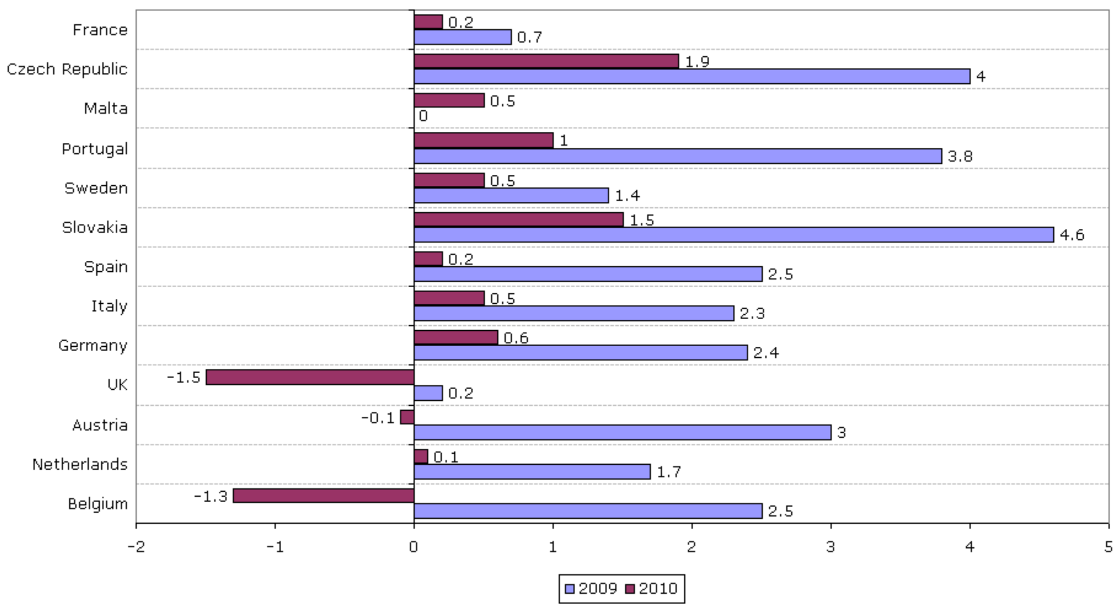
For the EU as a whole, the inflation rate fell sharply from 3.7% in 2008 to 1% in 2009. The euro zone saw an even greater drop, from 3.3% to 0.3%. The effect of this steep fall in prices in 2009 was to increase the average collectively agreed real pay rise across the EU countries for which data are available (EIRO pay update 2009: **TN1004029S**). However, 2010 marks a turning point, as inflation increased to 2.1% and in many countries collectively agreed pay did not make up for price developments.

Real increases in collectively agreed pay were **negative** in the UK (-1.5%), Belgium (-1.3%) and Austria (-0.1%).

Moderate increases of collectively agreed pay in real terms were recorded in the Netherlands (0.1%), Spain and France (0.2%), Italy, Sweden and Malta (0.5%) and Germany (0.6%).

Still moderate, but slightly **higher increases in real terms** were agreed in Portugal (1%), Slovakia (1.5%) and the Czech Republic (1.9%).

Figure 2: Average collectively agreed pay based on collective agreements databases in real terms, 2009 and 2010 (%)



Notes: Inflation rate: Average annual change rate of the European Harmonised Index of Consumer Prices (HICP), Eurostat. The real pay increase was calculated according to the following formula: $R_{REAL} = (1+R_{NOMINAL})/(1+Inflation) - 1$.
Source: National collective agreements databases, as reported by EIRO national correspondents

Pay setting at national level

This section covers the countries in which agreements, or other arrangements at national level covering 'major parts' of the economy, set the pace for or give an 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, Hungary and Romania.

The report broadly distinguishes between three different forms of pay setting at national level, which are outlined below.

- Some countries have **indexation mechanisms** in place or had them recently abolished; this is the case in Belgium, Cyprus, Malta, Luxembourg, Poland and also to some extent Spain (see the background paper to the Eurofound study on Wage indexation in the European Union).
- In a group of other countries (Italy, Ireland, Spain, Greece, Romania and Slovenia), social partners and/or government agree at national or broad **intersectoral level** on pay increases or they give **recommendations** to lower-level actors. While in most cases national-level recommendations set minimum standards for increases, in Italy, social partners agree on a maximum amount of increases to be agreed on in lower-level negotiations.
- In the Nordic countries – Denmark, Finland, Norway and Sweden – certain larger intersectoral agreements are or have been viewed as **trend-setting agreements** for further bargaining.

Indexation mechanisms

Belgium

In Belgium, more than 2.6 million employees (around two thirds of all employees) were covered by the 'Intersectoral agreement 2009–2010'. Although not regulated by a general law or collective agreement, automatic indexation of wages is a system used by 99.9% of the sector joint committees, which cover the whole private and public sectors. The agreement for the period 2004–2009 had been prolonged for 2009–2010. Within this agreement, above the level of indexation, wages could increase by a maximum of €250 over two years (with a maximum €125 in 2009). In most of the sector committees, this wage increase was granted in the form of 'ecocheques' (€125 each year) (**BE0910019I**). These are wage premiums, granted under certain conditions with social tax exemptions, which focus on environmentally friendly and sustainable – or so-called 'green' – consumer goods.

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 each six-month period are readjusted on the basis of the percentage change in the Consumer Price Index (CPI) for the preceding six-month period. As such, the COLA increase for 2009 was 0.82% and for 2010 2.85%. The system applies at national level and covers employees in all sectors of economic activity.

Malta

In Malta, wages are often regulated by collective agreements at enterprise level. All wages are topped up by a mandatory annual wage increase, the COLA. The COLA is based on the inflation of the previous 12 months as calculated by the RPI, and added every year to all the wages including the minimum wage. The COLA of €4.08 per week for 2009 was increased to €5.82 in 2010. This increase was subject to disagreement between the employers on one side and government and trade unions on the other side. Employer organisations proposed that the government would financially support the increase during 2010 (that is, €2.30 out of €5.82 to be paid by the government). However, government and trade unions rejected employers' demands (**MT0910029I**).

Luxembourg

Luxembourg has a legal salaries indexation, independent from the system of collective wage bargaining, which takes account of price increases, and is fixed and enforced every year by the government. The percentage of wage increase and the minimum wage (*revenu social minimum*) have to be applied by all employers. Normally, wages of all employees are increased when the national index of consumer prices increases by 2.5% relative to its level at the previous wage indexation (Echelle mobile des salaries 2010 (28Kb PDF)). Between 2006 and 2009, there was a temporary change in the indexation mechanism to reduce the pass through of the steep increase in oil prices over that period (OECD Economic Surveys, Luxembourg, May 2010). After that temporary breach, the regular system was reinstated in January 2010. On 27 April 2010, the Tripartite Coordination Committee announced the failure of discussions about the competitiveness of Luxembourg's economy, employment policies and public finances. Government had made suggestions to revise the controversial issue of index-linked salaries and stressed the need to reform this system of automatic wage rises, although the social partners did not support these reform proposals (**LU1007021I**). Increases in both 2009 and 2010 stood at 2.5%.

Poland

The Act of 16 December 1994 on negotiating increases in average remuneration in economic operations (in Polish), in force until the end of 2009, stipulated that the Tripartite Commission would take a decision on the maximum annual increase in monthly average remuneration. This was valid for all employees working for business operations with 50+ staff. The indexation law was revoked after the government had attempted to secure a seal of approval by national-level social partners, yet either failed (for example, the All-Poland Alliance of Trade Unions (OPZZ) negatively assessed the draft legislation), received no formal response (for example, from the Business Centre Club (BCC) and the Polish Confederation of Private Employers 'Lewiatan' (PKPP Lewiatan)) or met with demands to reformulate certain parts of the draft (from KPP, now Employers of Poland, and the Independent and Self-Governing Trade Union Solidarity (NSZZ Solidarność)). The main argument behind the initiative was that the law had become obsolete and effectively prevented employers and employee representatives from freely negotiating pay without government interference. In 2010, Polish trade unions were, nevertheless, putting forward new demands for wage increases (**PL1002019I**).

As collective bargaining in Poland predominantly takes place at company level to supplement general standards set by national legislation and agreements are often kept confidential, no 'average' or specific figures can be given in this report.

Spain

After a failure to reach a national agreement on collective bargaining in 2009, social partners reached consensus in 2010 with the 'Agreement for employment and collective bargaining 2010–2012' (**ES1002019I**). It established criteria regarding salary issues aiming at introducing a moderate wage growth policy to promote job preservation. The references approved for salary increases are: 1% for 2010, between 1% and 2% for 2011, and between 1.5% and 2% for 2012. These references are supplemented with a wage review clause and a non-application or opt-out clause. All the workers covered by agreements concluded since 2010 should be covered. Moreover, the agreements concluded before 2010, which reviewed the pay increase in 2010, were forced to apply the pay criteria agreed. According the collective bargaining statistics of the Ministry of Labour and Immigration, there were 7,093,100 workers covered by agreements in

2010. Now these figures have been updated to 8,466,100, including agreements concluded in 2010 but registered in 2011.

National-level or intersectoral agreements and recommendations

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) and covering more than 17 million workers introduced some reforms in the Italian bargaining system (**IT0902059I**). The agreement established a new procedure to calculate salary increases through a new indicator, calculated by a third party, the ISAE (Istituto di Studi e Analisi Economica), based on the European HICP, excluding imported energy. Applying the indicator to the wage base identified by the national sectoral collective agreements, the maximum pay increase that can be agreed in industry-wide agreements is calculated. At the moment of renewing collective agreements, the expected inflation rate will be compared to the actual inflation rate with a view to bargain on a possible recovery of the *ex-post* difference. The first implementation of the agreement involved the following estimations: 2009 – expected inflation issued on 30 May 2009, 1.5%; actual inflation 1.2% (21 May 2010); 2010 – 1.3%; 2011 – 2%; 2012 – 1.8%; 2013 – 1.7%. Although these figures are not set in agreement, they are a technical element provided to the collective bargaining actors at sectoral level.

Ireland

In Ireland, the predominant level of wage bargaining until 2009 was the national level. In the context of the economic crisis, social partners had reached an agreement in 2008 – Towards 2016 Review and Transitional Agreement 2008–2009. This agreement foresaw for the public sector a pay pause of 11 months from the expiry of the last phase of the first module under *Towards 2016*; an increase of 3.5% from 1 September 2009; and an increase of 2.5% from 1 June 2010 – except for those earning up to and including €430.49 per week (€22,463 per year) on commencement of the second phase where a 3% increase will apply.

For the unionised private sector, the agreement established: a pay pause of three months from the expiry of the last phase of the first module under *Towards 2016*; an increase of 3.5% for the next six months of the Transitional Agreement as it applies in each particular employment or industry; and an increase of 2.5% for the next 12 months of the Transitional Agreement – except for those employees on an hourly basic rate of €11 or less on commencement of the second phase where a 3% increase will apply.

The agreement was in place from September 2008 to December 2009 when the Irish Business and Employers' Confederation (IBEC) withdrew from the agreement and talks between public sector unions and government collapsed (**IE0912019I**).

Nevertheless, prior to the withdrawal of IBEC, only a minority of private-sector companies paid the terms of the pay agreement. Due to the economic downturn, many companies had suspended payment of the increases and a minority had formally pleaded 'inability to pay' the terms of the agreement. Furthermore, the terms agreed for public-sector workers were not paid. In March 2010, IBEC and the Irish Congress of Trade Unions (Congress) agreed a protocol providing negotiators with broad pay guidelines, using a set of criteria for issues like competitiveness and information and consultation. The protocol establishes a tripartite overarching structure between the government, IBEC and Congress with a view to managing private-sector pay claims (see **IE1005029I** and **IE1002029I**).

The Financial Emergency Measures in the Public Interest (No.2) Act 2009 (61Kb PDF) imposed pay cuts in the public sector from 1 January 2010 (**IE1001039I** and **IE0912029I**): 5% on the first €30,000 of salary, 7.5% on the next €40,000 of salary and 10% on the next €55,000; annual salaries above €125,000 to be cut by between 8% and 20%. Initially, trade unions opposed these cuts. However, they were later tacitly accepted in the Public Service Agreement 2010–2014 (Croke Park Agreement) negotiated in March 2010, which commits the government to no further pay cuts in return for reform of the public service (**IE1007039I**).

Greece

In Greece, the two-year National General Collective Labour Agreement (EGSSE) sets the national minimum wage as the basis for the further negotiations at sectoral level in the private sector, which can top that minimum (**GR0808019Q**). For 2008 and 2009, the EGSSE foresaw a wage increase of 12.4% over two years, which was above inflation (**GR0805039I**).

As a response to the financial turmoil and with the introduction of the international financial support mechanism, some changes have been made to the Greek determination of minimum wages. For instance, sub-minima can be introduced for groups at risk (such as young and long-term unemployed people) and both sides of industry can now resort to arbitration through the Organisation for Mediation and Arbitration (OMED) if they disagree with the proposal of the mediator. Furthermore, it has been set out in new legislation that 'local territorial pacts shall set wage increases below sectoral agreements and introduce variable pay to link wages to productivity performance at company level' (**GR1102029I**). This is the first time that such a derogation mechanism from sectoral collective agreements is in place for Greece. The new EGSSE for the period 2010–2012 foresees no pay increases for the whole of 2010. Only in mid-2011 (1 July), minimum pay shall be increased by a percentage equal to the rate of the annual change of the European inflation rate for 2010.The same mechanism shall apply until 2012. In the public sector, Law 3833/2010 stipulates, among other things, a wage freeze for public sector and public utility workers.

Hungary

The tripartite National Interest Reconciliation Council (OÉT) agrees every year on a recommendation for increasing pay in the next year (Agreement on minimum wages, guaranteed minimum wages and wage recommendations (in Hungarian)). While the agreement on minimum wages is mandatory for every employer, OÉT only gives recommendations concerning other wages. In 2009, the recommendation was to maintain wages in real terms, while in 2010, following a series of protracted negotiations, OÉT recommended raising the nominal wages in the private sector by 4% to 6%. In 2010, the Hungarian reference inflation rate stood at 4.9%, which in fact means that the agreed recommendation of 4%–6% could or could not have increased pay in real terms.

Romania

In Romania, the national minimum wage, which is established in the 'National unique collective agreement', is the starting point for the negotiations at sectoral level, which usually top that minimum. After the sectoral collective agreement is concluded, trade unions negotiate the minimum wages at company level. In 2008, government and social partners concluded a 'Tripartite agreement on minimum wage rises for 2008–2014'. The agreement defined the level of the monthly gross minimum wage, the level of the monthly gross average wage for the whole economy, and the ratio between the gross minimum wage and the gross average wage at national level for each year of the agreement period. As result, by Government Decision no. 1051/2008, the monthly minimum gross wage at national level for 2009 was set to RON 600 (about €141 as at 30 August 2011). This decision remained in force also in 2010, but during the economic and financial crisis the minimum wage was in fact set to be lower than the level stipulated in the tripartite agreement – remaining at RON 600 (€143) compared with the planned RON 730 (about €172). This was in fact a decrease in real terms of 7.4%. For the public sector, the government issued Act 118/29 June 2010, which set out a 25% reduction of the gross salaries of public workers, including fringe benefits and bonuses (see **RO1008019I** and **RO1005019I**).

Slovenia

In Slovenia, a major intersectoral national agreement on the 'pay adjustment method (in Slovenian)' covers the private sector and sets minimum standards. This agreement is signed by seven representative trade union confederations and four employers' organisations. In 2009, the agreement foresaw an increase of the basic wage by 1.15% in January and a subsequent increase of 2.3%. Usually in January every year the adjustment partly corrects for the estimated inflation in the previous year compared with actual inflation. In January 2010, no increase of the basic wage was agreed, since actual inflation in 2009 did not surpass the estimated inflation rate used for the adjustment percentage in the collective agreement. A new general collective agreement for the private sector from 2010 onwards was not agreed by the social partners.

Trend-setting sectoral agreements

Denmark

The collective agreements signed between the Central Organisation of Industrial Employees in Denmark (CO-industri) and the Confederation of Danish Industry (DI) – namely the 'Industry Agreement' and the 'Industry Agreement for Salaried Employees' – normally set the pace for the subsequent private sector agreements under the umbrella of the Confederation of Danish Trade Unions (LO) and the Danish Employers' Confederation (DA), which cover about 600,000 workers. Based on the fact that Danish competitiveness has been weakened due to higher wage increases in previous years in comparison with other European countries, employers emphasised during negotiations in 2010 that there was scope for only very modest wage increases in the new agreements. For 2010, the increase was set to a moderate 1.1% compared with 2.4% in 2009 (**DK1001019I**, **DK1003011I**).

Finland

In Finland, national-level negotiations, which covered the whole economy, used to provide recommendations for the negotiations at industry level. In 2008, the Confederation of Finnish Industries (EK) announced that sectoral, company and even individual-level bargaining will be the negotiation models of the future, and that the period of blanket wage policy offering equal pay increases to every sector of the economy and employee group has come to an end (**FI0806029I**). Particular industries, such as metalworking, chemical industries or the technology sector, are seen to act as pacemakers for other industry-level negotiations. Negotiations in Finland for 2010 and 2011 turned out to be protracted during the course of 2009 and 2010. The employer side has offered a so-called 'wage anchor' model on the basis of the three-year collective agreement concluded in the technology industry in 2009 (**FI0909019I**). As stipulated in that agreement, pay increments would be decided at local level in the first year, leading to an increase of 0.5% in the autumn of 2009. The pay rises for the following years would then be negotiated separately during April to May of each year. Trade unions have criticised and rejected the proposal of EK regarding this 'anchor model'. In order to boost the negotiations, the Ministry of Finance then proposed to the social partners that the government would commit itself not to raise income tax if wage earners accept moderate pay increases in the ongoing wage bargaining round (**FI0912019I**). In autumn 2010, finally, new collective agreements for about 300,000 employees were reached. In line with EK's guidelines, the average general wage increase has been 1% and the average validity of the agreements is one year and three months. These negotiated pay increases are valid for 2010 and 2011(**FI1010021I**). Statistics Finland also provides an annual index of negotiated wages and salaries, although not including company-level bargaining. In 2009, the index for the whole economy grew by 3.6%, while in 2010 a more moderate rise of 2% was recorded.

Norway

The collective bargaining between the Norwegian Confederation of Trade Unions (LO) and the Confederation of Norwegian Enterprise (NHO) (covering the private sector) plays an important role as it sets the framework for the negotiations in specific industries. In the second year of the two-year agreements, when only pay-rates are adjusted, the rates agreed in these negotiations will cover all agreements between LO unions and NHO-affiliated employer associations. About 300,000 employees covered by 130 different nationwide collective agreements are affected. In 2009 (that is, the second year of the agreement from 1 April 2008 to 31 March 2010), a general increase of NOK 1.00 (€0.12) per hour and an increase of NOK 2.00 (€0.25) per hour in low-wage industries (areas where the average wage stands at less than 90% of the manufacturing average) have been agreed (**NO0905019I**). In 2010, however, there was no LO/NHO bargaining round and the agreements were negotiated one by one. The most common outcome of the individual negotiations was NOK 1.50 (€0.19) per hour in general and NOK 2.00 (€0.25) per hour for low-wage industries. NOK 0.50 (€0.06) of this increase was set aside for low wage/gender equality purposes, and to be distributed at company level (**NO1004019I**). It is difficult to compare the two years, since the 'carryover effect' was larger in 2009 than in 2010.

Sweden

Since 1997, when the Industry Agreement (*Industriavtalet*) was finalised, the manufacturing industry has set the norm for wage increases in Sweden. The general idea behind it is that sectors exposed to high international competition should set the wage levels in the labour market. However, this norm was questioned by several major social partners during the wage bargaining round of 2010 (**SE1006019I**, **SE0910019I**, **SE0910029I**). On 20 March 2010, the first agreement of the bargaining round was reached between the trade union for professionals in the private sector (Unionen) and the Swedish Association of Graduate Engineers (Sveriges Ingenjörer), valid for 18 months and including a wage increase of 2.6%. Surprisingly, the Metalworkers' Union (IF Metall) was not a party to the agreement and one week later it negotiated a higher wage increase of 3.2%. In April, the Association of Swedish Engineering Industries (Teknikföretagen) announced that it no longer intended to be a part of the Industry Agreement (**SE1005019I**). These events created uncertainty among other social partners, because there was no longer any benchmark for wage bargaining (**SE1101019I**, **SE1006019I**, **SE1003019I**). The services sector, meanwhile, used the Industry Agreement as a model to establish for the first time a pace-setting agreement for service sectors (**SE0911019I**). Compared with the previous Industry Agreement (setting a wage increase of 3.3% in 2009 – that is, 10.2% over three years), the one finally agreed in 2010 set out a pay increase that declined to 2.1% per year (3.2% over 18 months).

Collectively agreed pay within three sectors

This section deals with collectively agreed pay increases in three sectors selected to represent the manufacturing industry (metal sector), services (banking) and the public sector (the local government) respectively. Collective pay setting for different sectors can take place at various levels, with various ways of articulation between them. In the metal sector, for instance, wages are negotiated in the majority of countries at sectoral level, but in many cases company-level bargaining subsequently might take place to top up what has been sectorally agreed.

Metal sector

Developments in sector-related collective bargaining in the metal sector are largely in line with the reported national developments, with a general tendency of lower levels of agreed pay increases in 2010 compared with 2009, pay freezes or the abstention from collective bargaining (Table 1).

- In a number of countries, collective agreements in the metal sector were either not renewed or no pay increase was foreseen in the 2010 agreements: this was the case in Cyprus, the Czech Republic, Estonia, France and Latvia. Also in Luxembourg, apart from the national level of indexation (+2.5%) no general pay increases were agreed in the sector, only bonus payments. This trend was accompanied in some countries by a shift in the level of pay setting. In Ireland, there was a switch from national to company-level bargaining (and there is little evidence of actual company-level bargaining going on). In Latvia, sectoral bargaining ceased to exist in 2008, and only limited company-level bargaining now takes place in the sector.
- In the majority of countries, lower pay increases were recorded for 2010 than in 2009:
  - These declines were comparatively high in the UK (from 4.9% to 1.1% in 2010), Austria (from 3.8% in 2009 to 1.45% in 2010) and Denmark (from 2.4% in 2009 to 1.1% in 2010).
  - They were moderate or low in the Netherlands (from 2% in 2009 to 1.5% in 2010), Norway (from 3.9% in 2009 to 3.5% in 2010), Belgium (from 1.6% in 2009 to 1.4% in 2010) and in Italy (from 2.9% in 2009 to 2.8% in 2010).
- In a small number of countries, the rates of agreed pay increases remained rather stable. This was the case in Germany (from 1.8% in 2009 to 2.29% in 2010 – but on the income level of 2008 for the 2010 agreement) and Portugal (between 1.58% and 7.4% for both years).
- In very few countries, higher pay increases were recorded in 2010 than in 2009: this was the case for Spain (from 0.8% to 1% in one agreement and from 2.4% to 3.4% in the second major agreement, depending however on the rate of inflation) and in Romania (from 11.1% to 25%). In Slovenia, a pay increase of 5% was agreed for 2010.

Further information on wage-related collective bargaining in the metal sector can be found for some countries on the EIRO website. This includes, for instance, information on the protracted negotiation round in Austria, which was linked to the employer's request for more flexible working time schemes in 2009 (**AT1004011I**); the failure of reaching a sectoral agreement for 2010 in Cyprus (**CY1012029I**); the German sectoral social partner's focus on safeguarding employment (collectively agreed short-time work) and on training (training leave) rather than pay increases (**DE1004029I**); and the abstention of Italy's most representative trade union from signing the renewal of the metal sector agreement (**IT0911029I**).

Table 1: Annual collectively agreed pay in the metal sector, 2009–2010

	Agreed pay increase		Reported agreements and estimated coverage of sectoral employees
	2009	2010	
Austria	3.80%	1.45%	Two major sectoral CAs, both with the same increase; full sectoral coverage.
Belgium	1.60%	1.40%	Two major sectoral CAs, both with the same increase; about 70% of coverage.
Bulgaria**	n.a.	1.95%	2009 – one major sectoral CA; about 14% of coverage; 2010 – two major CAs available; about 40% of coverage.
Cyprus	2.40%	0%	One major sectoral CA: full sectoral coverage.
Czech Republic**	n.a.	0%	Three higher-level CAs; about 4% of coverage.
Denmark	2.40%	1.10%	One major sectoral CA; >50% coverage.
Estonia	Non-renewal	Non-renewal	Non-renewal of agreement; about 5%.
Finland	0.5%	1%	Three major sectoral CAs, all with the same increase; full sectoral coverage.
France	1.50%	0%	One major sectoral CA in 2009. No CA in 2010; coverage not available.
Germany	2.10%	Only lump sum	One major sectoral CA; full sectoral coverage.
Greece*	n.a.	1.8%	One major sectoral CA; coverage not available.
Hungary	n.a.	n.a.	n.a.
Ireland	n.a.	n.a.	n.a.
Italy	2.9%	2.8%	Istat, Retribuzioni contrattuali annue (2005–2010), 23 March 2011; coverage not available.
Latvia	n.a.	n.a.	n.a.
Lithuania	n.a.	n.a.	n.a.
Luxembourg	2.5% (indexation)	2.5% (indexation)	Increases according to indexation mechanism (2.5%).
Malta	n.a.	2.46%	Economic Survey, 2010; coverage not available.
Netherlands	2%	1.5%	One major sectoral CA; about 70% of coverage.
Norway	3.90%	3.50%	One major sectoral CA; coverage not available (about 80% of blue-collar workers in metal industry).
Poland	n.a.	3.20%	One major sectoral CA; coverage not available.
Portugal*	CA 1: 7.4%; CA 2: 4.2%; CA 3: 1.58%		Three sectoral CAs; coverage not available.
Romania	11.1%	25%	No CA in 2009, only minimum increase; One major CA in 2010; Full sectoral coverage.
Slovakia	5%	3.5%	Information System on Working Conditions

	Agreed pay increase		Reported agreements and estimated coverage of sectoral employees
	2009	2010	
			(ISPP), according to Metal Trade Union Association (OZ Kovo): Agreements at company level. Company-level wage increase should be based on expected economy of concrete employer and index of consumer prices in the year; coverage not available.
Slovenia	n.a.	5%	One major sectoral agreement; Full coverage.
Spain	CA 1: 0.8%; CA 2: 2.4% (RPI +0.4%)	CA 1: 1%; CA 2: 2.4%–3.4% (RPI +0.4%)	Two major sectoral agreements; coverage not available.
Sweden**	n.a.	0.89%	Three sectoral agreements; coverage of about 90%.
UK**	4.9%	1.1%	Three sectoral agreements; coverage of about 3%.

*Notes: CA = Collective agreement. * Figures annualised: nominal agreed increases have been broken down to reflect an annual period of 12 months, where agreements covered different periods; ** Figures weighted: where more than one agreement has been listed, the annualised agreed increases have been weighted by the number of employees covered by the reported agreements; n.a. = not available.*

Source: EIRO

Banking

The trends in collectively agreed pay increases in banking were somewhat more favourable for employees compared with the national level or the metal sector. In four countries increases of collectively agreed pay rises were recorded between 2009 and 2010, and in a further four countries agreed pay increases in 2010 stabilised in comparison with the previous year (Table 2).

Luxembourg and Slovenia are the only countries where the major sectoral collective agreement from 2010 did not foresee any pay increases.

Countries with **lower pay increases** are the following:

- Substantial declines: Austria (from 3.2% to 0.75%), France (from 4% at sectoral level to 0.9%–1.9% at company level), Romania (no agreements made in 2009 or 2010, and the applicable minimum wage increases having fallen from 11.1% to 0%. In Greece, a sectoral agreement foresaw 2.5% at the end of 2009, and has not been renewed in 2010.
- Moderate declines: Germany (with mainly lump-sum payments agreed in 2010), the Netherlands (from 1.2% to 0.7%) and Portugal (from 1.5% to 1%).

Countries with **stable pay increases** include: Cyprus (2%), Ireland (around 2.6% within two companies covering however only 7% of sectoral employees, whereas very little company-level bargaining has actually been recorded, and the national-level bargaining has ceased), Spain (around 2%, but as it is linked to the inflation rate and the inclusion of wage review clauses, the actual outcome is possibly rather a decline of increases), Slovakia (0.8% per year) and Sweden (3.6%).

Countries recording **higher pay increases** include: Belgium (from -0.1% to 2.3%), Denmark (from 3.7% to 4%), Italy (from 2.1% to 2.5%), Norway (from 0.4% to 6%, although the comparison between the years is not straightforward).

For Bulgaria, the Czech Republic, Hungary, Latvia, Lithuania and Poland, no data on collectively agreed pay are available for 2009 or 2010. In Estonia no sector related collective bargaining takes place.

Table 2: Annual collectively agreed pay in the banking sector, 2009–2010

	Agreed pay increase		Reported agreements and estimated coverage of sectoral employees
	2009	2010	
Austria*	3.49%	0.69%	Three major sectoral CAs, all with same increase; coverage of about 80%.
Belgium	-0.10%	2.30%	Two sectoral CAs, all with same increase; full sectoral coverage.
Bulgaria	n.a.	n.a.	No data available – company-level bargaining
Cyprus	2%	2%	Three-year agreement with constant annual pay increases; coverage of about 67%.
Czech Republic	n.a.	n.a.	No data available – company-level bargaining
Denmark	3.70%	4%	One major CA; coverage of about 85%.
Estonia	-	-	No collective bargaining in the sector.
Finland	n.a.	1%	Information on CA not available; full sectoral coverage.
France	4%	CA1: 1% CA2: 1.9% CA3: 0.9%	Non-renewal of sectoral-level agreement in 2010, only company-level bargaining; coverage not available.
Germany*	CA 1: 1.67% CA 2: 2.8% CA 3: 2.25% (16 months)	CA 1: only lump-sum payment CA 2: 1.2% CA 3: only lump-sum payment	Three major CAs. 'Average' increases in insurance and banking: 1.8% in both 2008 and 2009 – Institute of Economic and Social Research (WSI), see **DE1102019I**); coverage of about 90%.
Greece	2.50% (2009–indefinite)		One collective agreement: September 2009–indefinite. No renewal in 2011; coverage not available.
Hungary	n.a.	n.a.	No data available; company-level bargaining.
Ireland**	2.61%	2.61%	Two company-level agreements; coverage of about 7%.

	Agreed pay increase		Reported agreements and estimated coverage of sectoral employees
	2009	2010	
Italy	2.10%	2.50%	Istat, Retribuzioni contrattuali annue (2005–2010), 23 March 2011; coverage >90%
Latvia	n.a.	n.a.	No data available; company-level bargaining.
Lithuania	n.a.	n.a.	No data available; company-level bargaining.
Luxembourg	1.60%	0%	One major CA; coverage not available.
Malta	n.a.	2.06%	Economic Survey 2010; full sectoral coverage.
Netherlands**	1.17%	0.59%	Three major company-level agreements; coverage of about 64%.
Norway	0.40%	6%	Covers nearly all relevant employees, with the exception of managers.
Poland	n.a.	n.a.	No data available; company-level bargaining.
Portugal	1.50%	1%	Agreement signed by several banks, not by an association (see more info on **PT1003059I**); coverage of about 75%
Romania	11.10%	0%	No sectoral CA in 2009, only minimum increase; full sectoral coverage.
Slovakia	0.8%	0.8%	One major CA over three years; coverage of about 93%.
Slovenia	n.a.	0%	One major CA; full coverage.
Spain**	2%	2%	2009: RPI forecast: 2%; real interannual RPI: 0.8%; 2010: RPI forecast: 2%; real interannual RPI: 3%; coverage of about 90%
Sweden	3.60%	3.60%	One major CA; coverage of about 86%.
UK	CA 1: performance related - 5% CA 2: performance related - 5% CA 3: performance related - 1.9%	CA 1: performance related - 5% CA 2: performance related - 2.5% CA 3: 2.77%	Three company-level agreements; coverage of about 12%.

*Notes: CA = Collective agreement; * Figures annualised: nominal agreed increases have been broken down to reflect an annual period of 12 months, where agreements covered different periods; ** Figures weighted: where more than one agreement has* *been listed, the annualised agreed increases have been weighted by the number of employees covered by the reported agreements; n.a. = not available.*

Source: EIRO

It is also important to note that collectively agreed 'general' pay increases in banking are very often supplemented by individual-level performance bonuses or company-level profit-based forms of variable pay. Such increases are also often fixed and referred to in sectoral or company-level collective agreements, as both the current report and a recent study by Eurofound on *Performance pay in European establishments* (to be published in 2011) have shown.

Local government

This report refers to a wider notion of collectively agreed pay in the case of the public sector. As the government acts as employer, pay increases that are set by law (such as in Austria or Luxembourg) are also reported in this section. In many countries, pay is set in agreements/laws that also affect employees/civil servants in other levels of administration (central or federal administrations) or public sector activities.

As a general observation, the analysis of the reported agreements and other increases shows that the local government sector has been most severely hit by the economic crisis compared with the two other sectors looked at in this report. A rise in the rate of pay increases has not been reported in any of the countries for 2010 (Table 3).

Countries where **pay cuts** have been experienced by local government employees are outlined below.

- In Ireland, pay cuts were imposed by the government on all public sector workers under the Financial Emergency Measures in the Public Interest (No.2) Bill 2009, from 1 January 2010. As outlined in the section on 'National-level or intersectoral agreements and recommendations', these cuts are as follows: 5% on the first €30,000 of salary; 7.5% on the next €40,000; 10% on the next €55,000; salaries above €125,000 to be cut by 8%–20%.
- In Spain, the Royal Decree 8/2010 of 20 May has resulted in the non-fulfilment of the national agreement for the public work signed by the government, the General Workers' Union (UGT), the Trade Union Confederation of Workers' Commissions (CCOO), the Galician Multi-Union Confederation (CIG) and the Basque Workers' Solidarity (ELA), which foresaw a pay increase of 0.3% in 2010. 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%. Those on lower pay have suffered losses of between 0.56% and 7%.

In several countries where sector-related collective bargaining usually takes place, the local government sector employees experienced **pay freezes** in 2010.

- In Cyprus, no agreement has been made in 2010, hence no increases were agreed.
- In Luxembourg, wages were frozen in line with the major public-sector wage agreement.
- In the Netherlands, pay freezes for local government employees were agreed both in 2009 and 2010; however, the agreement did foresee end-of-year bonuses.
- In Greece, a major sectoral agreement for local government employees foresaw pay freezes in 2009 and 2010.
- In Portugal, the government as employer froze pay in 2010, following an increase of 2.9% in 2009, which was also not collectively agreed.

- In Romania, no sector-related agreement has been concluded. Pay freezes were then introduced according to the national minimum wage legislation.
- In the UK, pay freezes were set by local government employers in two smaller single-employer agreements.

The majority of countries for which data are available recorded a decline of pay increases in 2010 compared with 2009. These declines were rather substantial in Austria (from 3.55% to 0.94%), Denmark (from 4.9% to 1.8%), Finland (from 2.4% to 0.8%), Germany (from 2.8% to 1.2%), Italy (from 3% to 0.5%), Slovakia (from 7% to 1%) and the UK (from 2.29% to 0.56% in the major collective agreement, settled by government).

Declines of pay increases, yet still high increases comparatively to the other countries, were agreed in Sweden (from 3.2% to 2%) and Norway (from 4.6% to 3.6%). The Norwegian figures, however, also include increases from company-level bargaining (wage drift) and carryover effects that are not included in the other figures provided.

The only country with a stable, yet very moderate increase is Belgium where the reported major collective agreement (covering approximately half of the sectoral employees) foresees an increase of 2% for the whole period 2008–2013. This would be equivalent to around 0.33% per year.

In Latvia and Lithuania, no sector-related collective bargaining has been recorded. In Estonia, a collective agreement has been made at local level in the sector, covering around 5% of the workforce. The agreement sets minimum-level pay rates for the first time for the municipality.

More information on sector-related and wage-related collective bargaining can be found on the EIRO website for Finland (**FI0911019I**), the Czech Republic (**CZ0910029I**) and Norway (**NO1006019I**). In Norway, the 2010 bargaining round was accompanied by an almost two-week strike among around 44,000 municipality workers.

Table 3: Annual collectively agreed pay in the local government sector, 2009–2010

	Agreed pay increase		Reported agreements and estimated coverage of sectoral employees
	2009	**2010**	
Austria	3.55%	0.94%	Wage regulation by law for public sector employees; full coverage.
Belgium*	0.33%	0.33%	One major regional CA; coverage of about 50%.
Bulgaria	n.a.	n.a.	n.a.
Cyprus	CA 1: 2.5% Law: 1.5%	No agreement	One CA for hourly paid personal; wage set by law for public servants; coverage not available.
Czech Republic	n.a.	n.a.	No sectoral CA.
Denmark	4.9%	1.8%	One major collective agreement; coverage not available.
Estonia	No agreement	n.a.	2010: One local CA (multi-employer bargaining) concluded for the first

	Agreed pay increase		Reported agreements and estimated coverage of sectoral employees
	2009	**2010**	
			time; coverage of about 5%.
Finland	2.4%	0.8%	One major CA; coverage of about 70%.
France	n.a.	n.a.	No sector-specific CA, civil servants from local governments receive same pay rise as public-sector civil servants.
Germany	2.8%	1.2%	One major CA applying to all employees except public civil servants; coverage not available.
Greece	0%	0%	One major agreement with pay freezes in both years; coverage not available.
Hungary	n.a.	n.a.	-
Ireland	n.a.	pay cuts	Pay cuts were imposed by government on all public sector workers from 1 January 2010.
Italy	3%	0.50%	Istat, Retribuzioni contrattuali annue (2005–2010), 23 March 2011; coverage not available.
Latvia	n.a.	n.a.	No collective agreements in the sector.
Lithuania	n.a.	n.a.	No collectively agreed pay in the sector.
Luxembourg	1.5%	0%	2009: No collectively agreed basic pay, but a governmental decision to increase salaries up to 1.5% (‘*valeur du point indiciaire*’). 2010: Wage freezes in the major wage agreement; coverage not available.
Malta	n.a.	n.a.	Two single-employer collective agreements recorded – no further information available.
Netherlands	0%	0%	No pay increases in the major agreement for 2009 and 2010. Only end-of-year bonus; full coverage.
Norway	4.6%	3.6%	Full coverage.
Poland	n.a.	n.a.	Company-level bargaining; coverage not available.
Portugal	2.9%	0%	Unilateral decision by the government after negotiations with several trade union organisations in both years (**PT1002019I**); full coverage.

	Agreed pay increase		Reported agreements and estimated coverage of sectoral employees
	2009	2010	
Romania	11.1%	0%	No sectoral CA in 2009, only minimum increase; full sectoral coverage.
Slovakia	7%	1%	One major sectoral CA (SK1010029I); coverage of about 84%–92%.
Slovenia	n.a.	n.a.	One major CA; full coverage.
Spain	CA 1: n.a. CA 2: RPI, to be renegotiated if inflation exceeds forecast. CA 3: RPI, to be renegotiated if inflation exceeds forecast	CA 1: 0.3% agreed, but pay cuts CA 2: n.a. CA 3: n.a.	Royal Decree 8/2010 cuts public sector wages by an average of 5% (see ES1006011I); full coverage.
Sweden	3.2%	2%	One major sectoral CA – local negotiations foreseen in other major collective agreement; coverage not available.
UK**	2.29%	0.56%	Three collective agreements. Two of them included pay freezes in 2010; weighted by number of employees; coverage about 56%.

*Notes: CA = Collective agreement; * Figures annualised: nominal agreed increases have been broken down to reflect an annual period of 12 months, where agreements covered different periods; ** Figures weighted: where more than one agreement has been listed, the annualised agreed increases have been weighted by the number of employees covered by the reported agreements; n.a. = not available.*

Source: EIRO

National minimum wages

In total, 20 EU Member States have set minimum wages at national level. The national minimum wage usually applies to all employees, or at least to a large majority of employees in the country. Minimum wages as reported here are gross amounts, that is, before deduction of income tax and social security contributions, whereby deductions vary from country to country. The national minimum wage is enforced by law, often after consultation with the social partners, or directly by national intersectoral agreement (this is the case in Belgium and Greece). While the minimum wage in the majority of countries applies to employees of all ages (full adult rate), some countries have specific rates for the young working population. These are reported in the separate section below on 'Youth minimum wages'. More information on national minimum wages and sectoral minima can be also found in Eurofound's country profiles of industrial relations.

Full adult rate

Minimum wage increases were generally low or non-existent in 2010. Table 4 summarises the officially agreed rates in national currency in force at the end of 2009 and 2010 as reported by the EIRO national correspondents.

In nine countries out of 20 where minimum wages exist – Belgium, Bulgaria, Czech Republic, Estonia, Greece, Ireland, Latvia, Lithuania and Romania – no increase was set or agreed for 2010.

- In **Belgium**, the indexation of 2% was applied to the statutory minimum wage from 1 September 2010. There was, therefore, no real increase of the statutory minimum wage.
- In **Bulgaria**, the statutory minimum wage is defined by decree of the Council of Ministers. While in 2009 an increase in the growth of the minimum wage was observed, recording a nominal increase over the previous year by 9.1%, in 2010 the minimum wage for the country has been frozen and established a real decline of -2.4%.
- In the **Czech Republic**, there were no recent changes in the national minimum wage. The monthly rate has been CZK 8,000 (about €302) since 2007.
- In **Estonia**, the national minimum wage has not been increased since 2008 due to the recession.
- In **Greece**, the monthly minimum wage rate stood at about €740 in 2009. As mentioned, the EGSSE for 2008–2009 set out an increase of minimum salaries and wages of the country's workers from 1 July 2011 by a percentage equal to the rate of the annual change of the European inflation rate for 2010. With the introduction of the support mechanism for the Greek economy, the method of setting minimum wages has been modified at both national and sectoral levels.
- In **Ireland**, the hourly minimum rate remained at €8.65 during 2009 and 2010, but was cut to €7.65 from 1 February 2011 as part of the government's four-year economic recovery plan (**IE1012029I**).
- In **Latvia**, the level of the minimum wage remained at LVL 180 during 2009 and 2010 (about €255), but in 2011 the minimum wage was increased to LVL 200 (about €282).
- In **Lithuania** (**LT1102019I**), negotiations to raise the monthly minimum wage in 2011 have resulted in a social partner agreement of LTL 900 (about €261) from July 2011, with a further rise in January 2012. However, the social partners cannot finalise the deal because they cannot agree on how much of the wage should be untaxed. The last rise was in January 2008.

Moderate increases of the minimum wage in comparison with other countries were recorded in France, the Netherlands, Spain and the UK.

- In **France**, in 2010, the government decided for the fourth consecutive year to limit the national minimum wage (*salaire minimum interprofessionnel de croissance*, SMIC) increase to the legal minimum amount (**FR1001039I**). The legal minimum increase takes into account the development of inflation and half of the increase in the purchasing power of manual workers' basic pay (**FR0708039I**, **FR0607019I**).
- In the Netherlands and Spain, which also registered moderate year-on-year increases of the national minimum wages in 2010 when compared with previous years, no significant events have been reported in relation to the minimum wage.
- In the **UK**, the government confirmed in May 2009 that it had accepted the recommendations of the Low Pay Commission (LPC) for national minimum wage increases (**UK0906019I**).

The relatively modest increases were welcomed by employer organisations while the Trades Union Congress (TUC) urged the commission to be more generous next year. The LPC emphasised that the recent smaller increases should not be seen as a policy change and that larger increases will be considered in the future depending on the economic situation.

Slightly higher percentage increases of the minimum wage than the previous group of countries could be seen in Hungary, Luxembourg, Malta, Poland and Portugal.

- In Hungary and Malta, the increases of the minimum wage were slightly higher in 2010 than in 2009, while in Luxembourg the increase in 2010 was considerably lower than in 2009.
- In **Poland**, the legal mechanism for minimum wage determination has remained unchanged since the enactment of the applicable law in 2002. However, in 2010 for the very first time, the government disregarded the Tripartite Commission's decision regarding the scale of the rise in the national minimum wage for 2011 (translating to a rise of the minimum wage to PLN 1,386 (about €347), whereas the social partners had already agreed on PLN 1,408 (€352.50)) into becoming a law (**PL1002039I**).
- In **Portugal**, a tripartite agreement was signed in December 2006 regarding the substantial growth of the monthly statutory minimum wage (*retribuição mínima mensal garantida*, RMMG). Since then, the government increased the RMMG above the average of the general evolution of salaries. The aim was to reach the target of €500 in 2011 (**PT0811039I**, **PT0804039I**, **PT0912029I**).

Also in **Slovakia**, negotiations on the minimum wage for 2009 and 2010 (see **SK0811019I** and **SK0910019I**) were subject to disagreement. It is interesting to note that Slovakia is the only country where a decline in the number of minimum wage recipients has been reported.

The highest increase in the statutory minimum wage in 2010 was granted in **Slovenia** (9.6%). The new level was calculated as minimum living costs for one adult member of the household. Given the high increase, management in the enterprise can look for agreement with the employee for the introduction of the new minimum wage level step by step in case the company has difficulties in providing the increase. From March 2010 till the end of the year, the monthly minimum wage level was €655. By the end of 2011, it will be further increased to €734.15 per month.

Table 4: Level of minimum wage rates, 2009–2010

		2009		2010	
	Frequency	**Rate**	**% increase to previous year**	**Rate**	**% increase to previous year**
Belgium	Monthly	€1,387.49	0%	€1415.24	2% - indexation
Bulgaria	Hourly	BGN 1.42 (€0.73)	9.1%	BGN 1.42 (€0.73)	0%
	Monthly	BGN 240 (€122.71)		BGN 240 (€122.71)	
Czech Republic	Hourly	CZK 48.10 (€1.82)	0%	CZK 48.10 (€1.91)	0%
	Monthly	CZK 8,000 (€302.63)		CZK 8,000 (€316.41)	

		2009		2010	
	Frequency	**Rate**	**% increase to previous year**	**Rate**	**% increase to previous year**
Estonia	Hourly	€1.73	0%	€1.73	0%
	Monthly	€278		€278	
France	Hourly	€8.82	1.3%	€8.86	0.5%
	Monthly	€1,337.7		€1,343.77	
Greece	Daily	€33.04	5%	€33.04	0%
	Monthly	€739.56 (14 times)		€739.56 (14 times)	
Hungary	Hourly	HUF 411 (€1.47)	0%	HUF 423 (€1.54)	2.9%
Ireland	Hourly	€8.65	0%	€8.65	0%
Latvia	Hourly	LVL 1,083 (€1.53)	0%	LVL 1,083 (€1.53)	0%
	Monthly	LVL 180 (€255.1)		LVL 180 (€254.0)	
Lithuania	Hourly	LTL 4.85 (€1.40)	0%	LTL 4.85 (€1.40)	0%
	Monthly	LTL 800 (€231.7)		LTL 800 (€231.7)	
Luxembourg	Hourly	€9.72	2% on 1 January 2009 and 2,5% on 1 March 2009	€9.97	2.5%
	Monthly	€1,682.70		€1,724.81	
Malta	Weekly	€146.47	2.9%	€152.29	3.97%
Netherlands	Weekly	€322.75	1.81% followed by 1.26%	€326.75	0.64% followed by 0.6%
	Monthly	€1,398.60 (based on average 4.33 weeks a month)		€1,416 (based on average 4.33 weeks a month)	
Poland	Monthly	PLN 1,276 (€294.85)	13.3%	PLN 1,317 (€329.69)	3.2%
Portugal	Monthly	€450 (14 times)	5.6%	€475 (14 times)	5.6%
Romania	Hourly	RON 3.52 (€0.83)	11.1%	RON 3.52 (€0.84)	0%
	Monthly	RON 600 (€141.51)		RON 600 (€142.44)	
Slovakia	Hourly	€1.69	14%	€1.76	4.1%
	Monthly	€295.50		€307.70	
Slovenia	Monthly	€597.42	1.4%	€655	9.6%

		2009		2010	
	Frequency	**Rate**	**% increase to previous year**	**Rate**	**% increase to previous year**
Spain	Monthly	€624 (14 times)	4%	€633 (14 times)	1.4%
UK	Hourly	GBP 5.80 (€6.51)	1.2%	GBP 5.93 (€6.91)	2.24%

Note: Euro conversions based on average exchange rates for 2009 and 2010 from the European Central Bank (ECB).

Source: EIRO national correspondents

Youth minimum wages

A number of countries have set lower minimum wages for young people. Table 5 presents a summary of these rates. The exception is **Latvia**, where the adult minimum wage also applies to young people, although they have a shorter working week by regulation. Hence, young people in Latvia have in fact a minimum wage that stands at 114% per hour of the full adult rate.

For **Belgium**, it has been reported that a significant number of sector agreements have in recent years abandoned the lower, specific 'youth rates', in order to conform with European Union anti-discrimination laws. Youth minimum wages have also been abandoned in **Slovakia** in 2008.

Two new developments regarding youth rates concern Greece and the UK. In **Greece**, Law 3863/2010 introduced the institution of apprenticeship contracts for a one-year term for young people aged 15–18 years, who receive 70% of the general minimum wage. Employers and persons aged 15–18 years may conclude special apprenticeship agreements for a maximum term of one year, aiming at the acquisition of skills. A similar regulation, according to the same criteria, is enacted also for entrants to the labour market. Entrants to the labour market who are under 25 years of age receive 84% of the minimum salary or wage, as specified each time by the EGSSE, while the Greek Manpower Employment Organization (OAED), without further formality, undertakes to cover part of the social security contributions, in an effort to support the enterprises in question (compare also **GR1007019I**).

In the UK, changes to the labour law (Equality Act) came into force on 1 October 2010: the full adult rate now applies to employees aged 21 (instead of 22). Furthermore, an apprentice rate (for apprentices under the age of 19 or those aged 19 and over in the first 12 months of their apprenticeship) was introduced in October 2010 and stands at GBP 2.50 (€2.91) per hour.

In the rest of the countries with specific rates for young workers no specific changes to the youth minimum wage have been reported.

Table 5: Minimum wages for young people, 2010

	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 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%
Ireland	Workers aged below 18 years	€6.06 per hour
	Workers aged over 18 years, on first year of first employment	€6.92 per hour
	Workers aged over 18 years, on second year of first employment	€7.79 per hour
	Workers aged over 18, training or study undertaken in normal working hours (1st / 2nd / 3rd period)	€6.49/€6.92/€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% (LVL 1.23 (€1.75) 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%

	Recipients	Rate or percentage of full rate
Poland	First year in employment	80%
UK	Workers aged 16–17 years	GBP 3.63 (€4.23) per hour
	'Development rate': 18–21 years (until 2009); 18–20 (from 2010)	GBP 4.83 (€5.63) per hour
	Apprentices (introduced in Oct 2010)	GBP 2.50 (€2.91) per hour

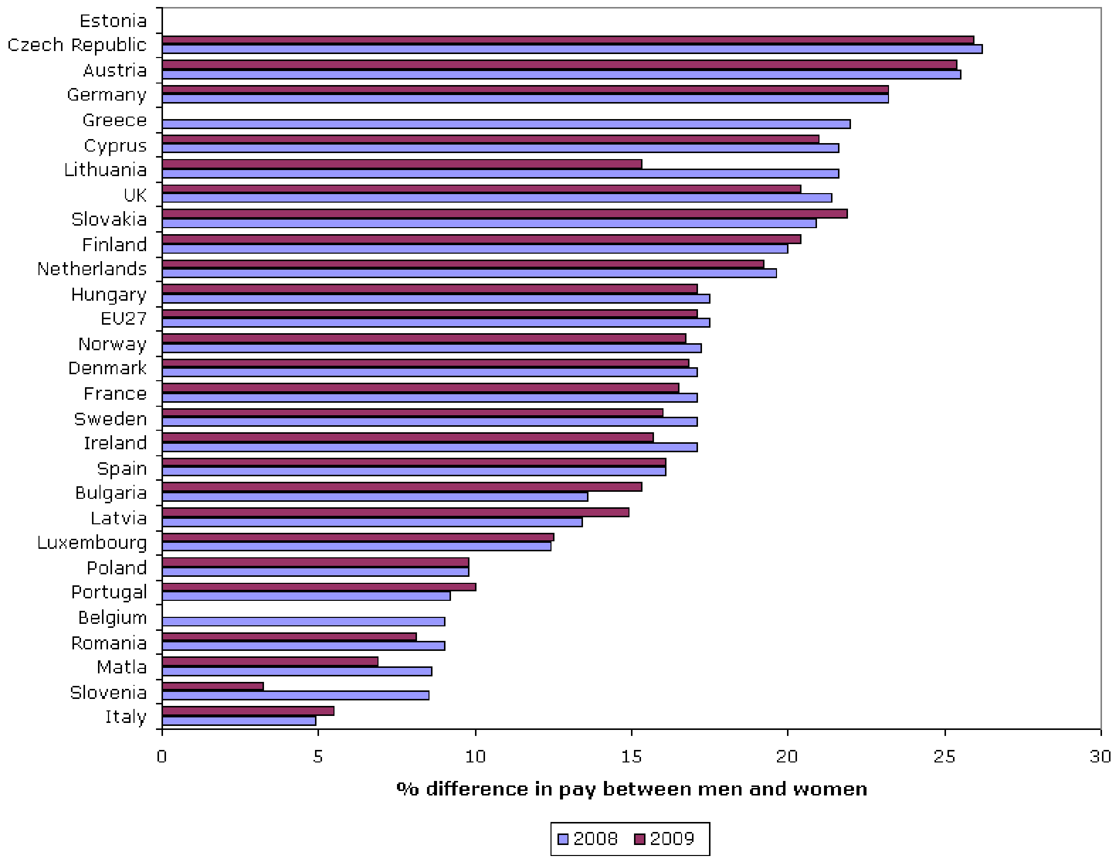
Note: Euro conversions based on average exchange rates for 2010 from the ECB.

Source: EIRO

Gender aspects of collectively agreed pay

Pay differentials between men and women still amounted to 17.1% in the EU27 in 2009 according to preliminary data from Eurostat. This is a slight decrease compared with the previous year. While for most of the countries where data are available a slight decrease has been recorded, variation across Europe is still high, ranging from 5% in Italy to more than 25% in the Czech Republic. The unadjusted figures should however be interpreted with care, as they do not take into account differences in the workforce composition, part-time employment, and so on. The 2010 Eurofound study Addressing the gender pay gap: Government and social partner actions provides a summary of national-level studies that take into account such 'adjustments'. While in all countries specific legislation on **equal pay** is in place, this study has shown that there is some empirical evidence of social partners' impact on reducing the gap. A major initiative in this sense is the revision of job classification profiles.

Figure 3: Gender pay gap in unadjusted form, 2008–2009 (%)



Note: No data available for Estonia. Also no 2009 data available for Belgium and Greece.
Source: Eurostat, 2011, based on Structure of Earnings Survey

An analysis of the over 180 agreements reported for this study shows that only a very limited number of collective agreements in a limited number of countries explicitly or implicitly contained some aspects that could have an impact on reducing the gender pay gap.

In **Austria**, the sectoral agreement for the metal sector to be valid in 2011 (**AT1012011I**) contains for the first time gender-neutral language to combat discrimination.

In **Belgium**, the Wage agreement 2009–2010 (in Dutch and French, 100Kb PDF) of the sector joint committee 308 for the banking sector contains a diversity and anti-discrimination clause and it foresees the instalment of a working group on equal opportunities.

In **Denmark**, within the Industry Agreement (**DK1003011I**), an equal pay tribunal has been set up modelled on the Tribunal of Dismissals, which has a labour court judge as chairperson. The new board will ensure that all disputes relating to equal pay are treated within the labour law system. The main social partner organisations LO and DA are formally called to nominate board members, so that it will cover all sectors represented by them and not only manufacturing. Gender equality was favoured as for new parents in the manufacturing sector, there are two additional weeks of paid parental leave. Moreover, the Equal Pay Act is to be incorporated into the agreements and an equal pay tribunal is being established.

In **Norway**, equal pay is high on the collective bargaining agenda. The 2010 collective bargaining round in the public sector was expected to be difficult, not least because the unions had high expectations of a special salary boost for female-dominated groups of workers (**NO0804029I**, **NO0911019I**). In the central government sector, some of the funds to pay for the increase have been set aside for female-dominated employee groups, and will be distributed in the so-called 'adjustment negotiations' taking place at the central bargaining level (**NO1006019I**). The sectoral agreement 'Hovedtariffavtalen' (HTA) foresees that the employer shall provide wage statistics broken down by gender and occupation on an annual basis, and the enterprise-level wage policy shall promote gender equality. It also establishes a decentralised wage pot that can be distributed in such a way that women in total receive more than their pro-rata share. This may be done by giving women higher individual pay rises, by giving priority to female-dominated groups (group-based increases) or local pay pots might be used on other measures to promote gender pay equality. The metal sector agreement, 'Verksted - Industrioverenskomstene 2010–2012', has set aside a wage pot (NOK 0.50 or €0.06 per hour) for gender equality purposes. Finally, the sectoral agreement in banking, 'Sentralavtalen', stipulates that employers shall provide wage statistics broken down by gender on an annual basis. If the parties at company level find examples of unequal treatment based on gender, this should be rectified.

Also in **Finland**, the pay increases agreed in the sector-related agreements for local government employees vary depending on the occupation. The greatest increases were directed towards female-dominated areas of activity.

In **Spain**, the banking sector agreement of the savings banks establishes that enterprises with more than 249 employees will have to elaborate 'equality plans' and set kindergarten lump-sum payments.

Finally, in the **UK**, the latest equality audit carried out by the TUC, covering 2009, assesses the progress made by trade unions on a range of equality indicators, with a particular focus on equality bargaining, where equal pay for women was a top priority (**UK1004039I**). The audit reports a range of negotiating successes for trade unions, although the proportion of unions with up-to-date policies and guidelines on all the different aspects of equality was lower in 2009 than in 2005. In 2009, the single top equality bargaining priority was equal pay for women. Within one single employer agreement reported for the local government sector (National Joint Council for Local Government Services, England and Wales Agreement), the agreed higher increase for low-paid workers may benefit women.

Outlook for future pay developments

As seen above, the economic downturn had a profound effect on industrial relations across Europe in 2009 and 2010 in areas such as collective bargaining on wages. While no reliable data on collectively agreed pay exist in all Member States, the indications from the countries where such data exist demonstrate that pay increases fell back.

As the Member States continue to deal with the adverse effects of the crisis with a variety of measures, it is expected that those would have an impact on wage-related collective bargaining in 2011 and beyond in some countries.

In some countries, the decentralised process of wage setting and the link between wages and productivity is an ongoing debate. In Finland, the employer organisations seek a further continuation of more decentralised bargaining at company level. In Greece, derogation mechanisms from sectoral collective agreements have come into being. Reforms of wage bargaining systems are discussed heavily in Luxembourg (the revocation of the indexation mechanism), Ireland (the sectoral collective agreements), Slovakia (extension mechanisms) and Sweden (to reinstate joint bargaining within the trend-setting industries). The year 2011 will, for public servants in many Member States, bring further cuts in pay or moderation. This has been reported to date for Denmark, the Czech Republic, Ireland, Italy, Romania and Latvia.

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