Why do (some) European trade unions reject minimum wage regulation?

Trade union politics between integrationism and institutional nationalism

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Keywords: European Trade Unionism; Collective Bargaining; Minimum Wages

In the course of European integration, joint positions among trade unions from the different member states are not only becoming more and more necessary, but also increasingly difficult to establish. Against this background, trade unions in the EU have been discussing the implementation of a bottom limit for wages in the common market for more than a decade. While generally, trade unions from countries with weak collective bargaining can be expected to favor the idea of an institutionalized minimum wage, unions from countries with high coverage rates are ascribed a reluctance towards such bottom limits. As the debate around a European minimum wage (in this case exemplified by drawing on the involvement of unionists from Sweden, Hungary and Poland, as well as representatives from the European level) shows, such ‘institutional nationalism’ impedes or prevents the emergence of joint political positions in the course of European integration.

During his campaign, designated President of the European Commission Jean-Claude Juncker stated that all employees in the European Union (EU) are entitled to “have an income from work sufficient to ensure that they don’t have to go to the social security office.” Indeed, if – as many observers and commentators have claimed – the proposal for a European minimum wage is based on the creation of a common labour market, it does not seem far-fetched, at all. As cartels of sellers of labour, trade unions have traditionally been acting as political protagonists of minimum wage regulations. The fact that European trade unions, despite a nominal compromise, have not been able to establish a common position on this question points to the dilemma faced by the European Trade Union Confederation (ETUC) in its everyday representative work: while the need to pursue common political goals is increasing as a result of European integration, actually establishing common positions is becoming ever more difficult due to the increasing heterogeneity that results from EU expansion (Höpner/Schäfer 2012).

This article investigates this dilemma by examining the controversial debate around the European minimum wage, focusing in particular on the role of Swedish, Polish and Hungarian trade union organizations: while the EU’s political left has made the creation of a
European social model one of its central goals over the last three decades, it has also become increasingly sceptical of European-level rule setting, especially with the recent turn towards austerity. The debate around the introduction of a European minimum wage demonstrates the difficulties faced by trade unions in their attempts to establish common political positions.

1. Labour Internationalism and the European Social Model

In negotiating how to tackle the economic challenges created by European integration, trade unions share the European social model as a frame of reference. Many have emphasised the vague nature of this model, most recently Anthony Giddens (2015: 90): “The European Social Model is in fact a mixture of values, accomplishments and aspirations, pinned together in varying ways, and with varying degrees of success, in different countries.” European political parties and trade unions use the term, which was coined under the former President of the European Commission Jacques Delors, “to provide a ‘human face’ to the completion of the single market, and to turn the trade union movements of Europe from potential opponents into reliable allies” (Hyman 2005: 27).

Vaughan-Whitehead (2003: 4) identifies three complementary values at the core of “Social Europe”: maintaining economic competitiveness through social cohesion and solidarity and the democratic inclusion of European citizens. Ever since it was first proposed, however, the model has been controversial among trade unions (Hyman 2013: 167; Kowalsky/Meyer 2014: 2).

The various different positions on European trade unionism in the literature are commonly grouped into two camps – euro-optimists and eurosceptics (Keune 2012). The main aim of the optimists is to show that the emergence of a powerful European trade union movement as a politically relevant actor is not only necessary, but also possible. European-level trade union organisations have grown in recent decades, in terms of both the number of unions and the size of their membership (Platzer/Müller 2009). As well, developments in the field of European Works Councils (Hertwig et al. 2009) and Societas Europaea (Rosenbohm 2013) prove a point made by Turner (1996): “If a European labor movement requires both structure and collective action, the former at least appears to be developing steadily.” Because EU enlargement has been accompanied by an increase in the prevalence of European trade union federations, Gumbrell-McCormick and Hyman (2013: 193) conclude that the growing diversity in these federations can also broaden their strategic repertoire: Such an increase “is most likely when there is a leadership team from diverse backgrounds and with a range of organizational experiences, and is least likely when there is a homogeneous leadership group deeply embedded in bureaucratic routines” (Gumbrell-McCormick/Hyman 2013: 193).

Eurosceptics, in contrast, focus mostly on barriers to the formation of common positions among European trade unions. Differences in European countries’ national wealth (Streeck 1999: 120), modes of wage setting (Höpner/Lutter 2014) and labour market dynamics (Bernaciak 2012; 2014) shape differences in political interests. Moreover, these differences are also reflected in national trade union organisations (Hyman 2001). Differences in the financial and logistical resources and foreign-language competency necessary to maintain a steady connection to the Brussels arena also favour some Central and Eastern European (CEE) representatives at the expense of others. At the same time, trade unions from the EU’s old member states often have access to more resources than their CEE-counterparts. Differences in trade unions’ particular national situations also cause them to differ in their approaches to the internationalisation of representative work. While “Unions in CEE have
had a particularly strong incentive to ‘go international’” (Bernaciak et al. 2014: 64), trade unions from Scandinavia in particular stand out for their widespread “unwillingness to transfer power” (Ramsay 1999: 200). As will be seen below, such national particularities are reflected in debates regarding a European minimum wage.

2. Minimum wage policies in Europe: A European minimum wage policy?

A minimum wage within a given territory (and/or within a particular economic sector) is a well-established demand of the labour movement. Regulations of this sort were first created in the early nineteenth century, and they are found in 90 per cent of all countries in the world today (Herr et al. 2009). In 2014, all 28 EU member states had some sort of minimum-wage regulation. Twenty-one countries had a statutory nationwide minimum wage, while the remaining seven had only sectoral regulations, most of which had been fixed in collective bargaining agreements. Regarding a universal minimum wage, Schulten (2014) distinguishes between three groups of EU countries: six western European countries with a minimum wage between seven and eleven euros, Southern and Eastern European countries with a minimum wage between two and seven euros, and a group of mainly Eastern European countries with a minimum wage below two euros. Countries with sectoral minimum wages, such as Austria and the Scandinavian countries, usually have a higher unionisation rate.

Because, according to Art. 153(5) of the Treaty of Lisbon, the EU does not have any jurisdiction over wage setting, the political creation of a legislatively binding EU-wide minimum wage would require changes to various European treaties. As will be shown below, trade unions from different countries are thus pursuing different strategies involving political mobilisation at the national level (see Seeliger 2015).

From a trade union perspective, there are three main conceptual arguments in favour of a European minimum wage in the field of economics and the social sciences. First, by raising the wage floor and thus reducing wage inequality within the EU, a European minimum wage would not only increase the quality of life among the working class, but also weaken international competition (Rycox/Kampelmann 2012). Second, pressure on national bargaining systems caused by increasing migration would be diminished (Vaughan-Whitehead 2010). Relatedly, a European minimum wage could serve as a basis for international wage coordination in Europe (and especially within the Eurozone) and protect national systems from intervention by the Troika (Schulten 2013). Third, the Europeanisation of the political discussion is an important goal in its own right (Schulten 2014), and the debate on a European minimum wage is a well-suited opportunity to pursue it. According to Vaughan-Whitehead (2010a: 529), a joint demand for a European minimum wage “would also represent an important symbolic move, giving substance to Social Europe.”

In summarising actual political discussions around the European minimum wage, Schulten (2014a: 11) identifies two frames of reference: economically, the call for a European minimum wage is mostly justified on Keynesian arguments regarding an increase in aggregate demand, while normative arguments point to the desirability of a more equal income distribution. In addition, we can also identify a third dimension – the gradual strengthening of the European political arena. By launching campaigns for regulatory initiatives at the European level, trade unions can encourage sister organisations from other European countries to engage in cross-border coordination of their representative work.

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2 Under current circumstances, such a referendum can – to say the least – be regarded as improbable (Scharpf 2012).
Despite these arguments, a European minimum wage regulation is not necessarily in the interest of all European workers (or, respectively, their political representatives). Conceptually, three counterarguments against it are possible. First, a binding minimum wage could hinder unions’ ability to achieve better wage settlements, because business associations might refer to it as an appropriate amount. Second, it could diminish the influence of trade unions by making their role in collective bargaining superfluous (if the wage is set through legislation, why would one need a trade union to negotiate?). Unlike these arguments, which mainly regard the national level, the third argument involves the implications of shifting political competence to the European level: apart from a potential loss of national (and/or sectoral) autonomy in general, the recent austerity measures induced by the Troika have fostered a sceptical stance among European trade unions.

In the course of European integration, trade unions are negotiating their political positions within a multi-level system (Marginson/Sisson 2004) that ranges from local trade union organisations to the ETUC as the most comprehensive organ of interest representation (see Platzer/Müller 2009). While labour representatives at the European level have generally favoured the introduction of a European minimum wage, a recent survey conducted by Furaker and Bengtsson (2013: 513) has revealed a high degree of polarisation on the issue among labour representatives from different countries: in general, Eastern and Southern European representatives support it, while those from Austria, Italy and especially Scandinavia are strongly opposed. The following section reconstructs the debate on the basis of an empirical investigation.\(^3\)

3. The political debate over the European minimum wage

The debate over a European minimum wage began over two decades ago in the context of a growing low-wage sector and growing wage differentials resulting from EU expansion southwards in the 1981 and 1986 rounds. As a result, the European Commission demanded that member states take political measures to lessen wage disparities between them.\(^4\) Shortly afterwards, the European Parliament recommended that member states connect their national minimum wage to their specific average wage levels. The resistance of some states to this proposal caused this debate to end without any changes to actual wage-setting processes.

While there has not been any serious attempt to implement a European minimum wage so far, proponents have managed to keep the topic on the EU’s political agenda. For example, the five biggest German political parties included references to a European-level minimum wage in their 2014 EU election programmes. It can be assumed that this inclusion was partly due to the role of European trade union organisations, which shall now be examined more closely.

At the turn of the century, a growing low-wage sector across various EU member states, and in the Eastern European countries involved in the 2004 and 2007 enlargement rounds, caused trade unions to reintroduce the issue of the European minimum wage to the political agenda. As a milestone in this process, in 2005 a meeting of various trade unionists and academics resulted in the drafting of a programmatic document, “Arguments for a European minimum wage policy” (Schulten et al. 2005).

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\(^3\) The data used in this article was collected as part of a four-year research project conducted at the Max Planck Institute for the Study of Societies between 2012 and 2016 (see Seeliger 2017). A total of 88 interviews were conducted, along with participant observation, in order to learn how European trade unions establish joint political positions.

\(^4\) http://aei.pitt.edu/4757/
While bearing in mind that an absolute minimum wage seemed unrealistic in the context of the uneven distribution of wealth across the EU, the authors (ibid.) proposed a minimum wage set at 50 per cent (and subsequently to be raised to 60 per cent) of the national median wage, to be implemented via national legislation in all member states (for a comprehensive historical account, see Schulten 2012 and Eldring/Alsos 2012). In subsequent years, various circumstances caused a number of European trade union organisations to include a European minimum wage in their political agenda, for three reasons. First, labour mobility had increased pressure on member states’ collective bargaining systems. Second, most new member states have by now established a statutory minimum wage, which made the instrument appealing to the national trade unions. And finally, the economic crisis of 2008 and subsequent austerity measures have increased wage pressure on workers in member states, particularly those in Eastern and Southern Europe.

Among European trade unions, the first important reference to a European minimum wage appeared in the so-called Sevilla Manifesto of 2007, which summed up the outcome of the ETUC Congress of the same year. The ETUC’s Executive Committee expressed its desire “to explore continually the scope for united campaigns at [the] European level, led by the ETUC, for common standards on minimum pay and income, and for collective bargaining strategies.” This, with this discussion in Sevilla as an initial to a broader debate among European trade union organisations within the framework of the ETUC, a campaign with the demand for minimum wage set at 50 (and subsequently raised to 60) per cent of the national median wage emerged.

The rather unclear wording of the demand clearly illustrates the central challenge of international trade union cooperation in the ETUC: the various national representatives’ institutional backgrounds (in terms of bargaining coverage and wage levels, for example) and political cultures differ significantly, which results in fundamentally different interests among them and makes cross-border cooperation very difficult. In the following, this point shall be illustrated by examining the positions of and interactions between representatives from Sweden, Poland and Hungary.

While Eastern European representatives welcome the idea of a European minimum wage, Swedish trade unions are strongly opposed. These differences arise from institutional conditions within these countries. In Poland and Hungary, 25 per cent and 33 per cent of workers are covered by collective bargaining agreements, respectively, while the figure is 88 in Sweden. Similarly, the unionisation rate in both Eastern European countries is 12 per cent, whereas it is 70 per cent in Sweden. Swedish trade unions’ strong influence in domestic collective bargaining also expresses itself in the rather passive role of the state in wage setting. While Tarifautonomie is thus an important tradition in the Swedish political economy, in 2014 both Poland and Hungary had a statutory minimum wage, at 2.21 euros and 1.95 euros, respectively.

As Götz and Haggrén (2009: 15) have argued, Swedish political actors (beyond the camp of trade unions) have generally been critical of European integration, not least because of their strong self-consciousness with regard to their own national political system: “In the European policy of Nordic trade unions one can easily identify a belief in the superiority of the Nordic industrial relations regime.” An even stronger claim in this regard is made by Magnusson and Murhem (2009: 197), who argue that there is a “normative element [...] in the opinions of the Swedish trade union movement, an idea that the Swedish and Nordic industrial relations regime should be the objective of trade unionism in the rest of the world.”

6 http://de.worker-participation.eu/Nationale-Arbeitsbeziehungen/Quer-durch-Europa/Gewerkschaften
As a number of interviews with various trade unionists from the three countries reveal, this stance on the part of Swedish trade unions is also reflected in the positions adopted by Swedish labour representatives at the European level. For example, a representative from the Swedish cross-sectoral confederation LO explained his rejection of a European minimum wage as follows:

I think it’s at the heart of the labour movement that we don’t want legislation in Sweden and absolutely not in Brussels. That is the core aspect of our system: wages are something for organisations in the labour market to determine.

The other big Swedish trade confederations, TCO and SACO, have a similar view: they argue that the state should be excluded from wage-setting processes and are critical of EU intervention in national political systems.

Their Eastern European counterparts express a completely different view. Their countries’ statutory minimum wage and their greater trust in European institutions lead them to welcome a European minimum wage. Accordingly, the international representatives of the three big Polish trade union confederations, Solidarnosz, OPZZ and Forum, express their support. Also a representative from the biggest Hungarian confederation, MSZOSZ, sees the need for a European minimum wage because unions in Eastern Europe do not have much influence on national collective bargaining systems: “Our political power is weak. And this, I would say, is also the case in the other Central and Eastern European countries.”

As the debates among trade unionists in Brussels show, differences in the balance of power between countries are reflected at the European level. At the same time, representatives of European trade union organisations are generally open-minded on the issue of a European minimum wage. The central challenge was summed up by an ETUC representative:

So, the dilemma is always that the stronger trade unions do want to assist and help the trade unions in the weaker position to advance. That’s a matter of principle and in our long-term self-interest. But at the same time, they also identify the danger that setting European standards could backfire against their own system.

This constellation has led to heated debate, as was described by a representative from Poland’s OPZZ. “Every time we discussed it, it resulted in, oh God, hours and hours of debate on the various positions.” In 2011, after the Sevilla Manifesto, when the political salience of the issue increased against the background of the economic crisis 2008ff, the ETUC Congress in Athens adopted the following resolution as a common goal:

The pursuit of fair wages for all European workers, including support for union campaigns for effective minimum wages in those countries where unions consider them necessary.

As various interviewees explained, an alliance of Scandinavian, Austrian and Italian representatives in the ETUC is preventing the practical implementation of this resolution in the form of a campaign for the introduction of a European minimum wage.

As a representative of the European Transport Federation pointed out, the ETUC avoids discussing the issue because it is so contentious:

Because the Nordics don’t want to discuss the minimum wage, we don’t discuss the minimum wage. Because they don’t want it, we don’t discuss that. And we avoid complicated discussions.

From the other side, this interpretation was confirmed by a representative of the Swedish LO:

The moment an ETUC official says that the ETUC supports the European minimum wage, we will do our best to sack that person. Because that person will be working directly against our interests. We don’t want intervention on wage issues.

Despite proponents’ persistent attempts to place the issue of a European minimum wage on the agenda, it has not happened so far. While the publication documenting the ETUC’s 2015 Congress in Paris does include a resolution in favour of “statutory minimum wages, where trade unions want them” (ETUC 2015), after several years of discussion a campaign to implement that resolution has yet to be launched.

4. Summary and outlook

The debate around the European minimum wage illustrates the difficulties trade unions face in formulating and implementing common political positions in the course of European integration. The heterogeneity of national collective bargaining systems and different views regarding both the role of statutory regulations in wage setting and European integration make it difficult for trade unions to pursue a joint agenda.

The specific focus on the relationship between the trade unions from the three countries leads us to discuss some final considerations regarding the potential for and limits to labour internationalism in the context of European integration. The position adopted by Swedish confederations can be described as “institutional nationalism,” to borrow the term Streeck (1995: 120) introduced in a different context. The shift of competencies to the supranational level is only accepted when it serves the interests of national actors. While the empirical material confirms that Swedish trade unions place a strong emphasis on maintaining their national system, evidence for Magnusson and Murhem’s (2009: 197) argument that Swedish unions believe that “the Swedish and Nordic industrial relations regime should be the objective of trade unionism in the rest of the world,” could not be found.

The orientation of Swedish confederations can be interpreted as a critique of integrationism, the view that the problems inherent in European integration can be resolved through even greater European integration (Höpner 2015). It can generally be assumed that international trade union cooperation attempts to use European integration as a means to achieve social progress. It is only when greater integration becomes an end in itself that the term “integrationism” is appropriate.

One feature of the discussion around the European minimum wage is that it does not inherently require EU-level legislation. Because the proposed campaign for a European minimum wage would ultimately only involve lobbying by national actors of their respective governments, the suspicion arises that something more than a European minimum wage is at stake. Debates around this issue involve a broader bundle of programmatic questions. How much influence do trade unions want European institutions to have? What regulatory influence can a European social model actually have? And is there – beyond all nominal compromises – common ground for a shared vision whose realisation trade unions are willing to aspire to?

Generally, it can be assumed that the goal of international trade union cooperation lies in using the process of European integration to protect workers’ rights and promote social progress. In this sense, European integration serves as a means to an end. If, however, the strengthening of the European arena becomes an end in itself, the institutional nationalism pursued by Swedish unions becomes an important reference point for a necessary critique of the institutional restructuring of the EU’s political system.

There are several arguments against the view that (re)nationalising collective bargaining structures can be an effective strategy in the context of an increasingly internationalised economy. First, in order to avoid a “race to the bottom” (Bernaciak 2010), it has been ar-
gued that labour market institutions in countries with lower wage and employment standards would have to be enhanced. If, however, strong collective actors from countries with highly institutionalised bargaining systems use their power to block transnational rule-setting initiatives, it is unclear just how much trade unions from countries with weaker institutions can profit from participating in the struggle for a European social model.

Second, it is far from certain that a strategy of (re)nationalising collective bargaining will lead to a long-term stabilisation of wage-increases in those countries with (at least fairly) strong collective bargaining institutions. Under conditions of parallel production and labour mobility (e.g. Lillie/Wagner 2014), it is no longer possible to protect wage and employment standards in the domestic arena alone. Trade unions will have to determine what kinds of transnational networking and campaigning can help regulate a Europeanised labour market in the long run.

So can a European Social Model based on equal (or at least similar) work and employment standards emerge in the course of European integration? Cross-border trade union collaboration has existed in Europe for more than a century, sometimes more and sometimes less successfully, and there is no doubt that it will continue to exist. The more pressing question is what kind of labour internationalism is required to achieve this goal. As a first step towards egalitarian discussion among different countries’ labour movements, IG Metall board member Hans-Jürgen Urban (2009: 313) has called for European trade unions to establish a “democratic discursive space.” Apart from national differences in terms of institutional legacies, political orientation and so on, one immediate obstacle to such a project lies in the differences between different national labour movements’ resources and political influence. One solution could involve financial support from strong organisations from wealthier EU countries. Whether these unions (mostly in North-western Europe) are willing to support such an agenda – and successfully explain its necessity to their membership – remains an open question. A progressive European labour internationalism will, however, have to provide an answer.

References


