COLLECTIVE BARGAINING FOR EUROPEAN SERVICE WORKERS IN THE 21ST CENTURY: A SNAPSHOT

UNI EUROPA CONFERENCE 2021

Report written by | **Ben Egan and Lisa Nathan**
Research contributed by | **Wouter Zwysen of the ETUI**

Sectoral collective bargaining has long been known to be the most effective route to decent pay and working conditions for workers. However, service sector unions are facing major challenges in defending, extending and (re)building sectoral collective bargaining. This report builds upon existing knowledge by bringing together three strands of original research conducted by UNI Europa (with support from the ETUI). The objective is to provide a focused snapshot of the current state of collective bargaining for European service workers.

This report also assess the cost of allowing collective bargaining to be suppressed. This manifests itself in multiple ways but we focus on three: impact on wages, on tax and on social security contributions. The figures are stark and reveal that, within the services sectors, workers are missing out on €25 billion per year in lost wages and public revenue is down a combined €28 billion per year in lost tax and social security contributions. Given current concerns about reinvigorating the economy and shoring up public budgets in the wake of the crisis, expanding collective bargaining would be a key part of the answer.

This report emphasises the fact that there will be no silver bullet to address the collective bargaining challenges that we face across Europe. The attacks that our affiliated unions have endured over an extended period have come on several fronts. In addition, unions in different countries start from different points in strengthening their bargaining arrangements, as the companion report 'Collective bargaining systems in Europe – some stylised facts' charts out in more detail.

There is however an increasing and widening recognition of the need to counter the decline of collective bargaining. The European Commission recently proposed a benchmark for collective bargaining coverage of 70%. Those Member States below such a threshold would be required to provide an action plan to move towards the set aim. In the European Parliament, there is even the intention to raise the benchmark to 90%. Whatever the level that is ultimately agreed, what is clear, is that achieving these enhanced levels will affect multinational companies (MNCs) as employers, just as it will place obligations on governments and policymakers in EU Member States. We must take advantage of the opportunities afforded by such initiatives to ensure that real social progress is at the heart of these initiatives. It must not be allowed to be a box-ticking exercise.

UNI Europa has played a leading role over many years in campaigning for EU action on collective bargaining and broadly welcomes the current discussions. However, it will not be a panacea. There are challenges – and solutions – at the level of MNCs that UNI and its affiliates organise within that can point a way forward. The first section of this report explores these, while highlighting the lack of information in the field of MNC collective bargaining coverage. Challenges also exist in the national industrial relations systems of EU members states – especially the sectoral collective bargaining arrangements. This is explored in the second section of this report. And finally, they are to be found in the organising strategies developed by affiliates, increasingly with the direct involvement of UNI Europa and our organising centres, as we come together to fight for sectoral bargaining.

The report is structured as follows. The first section provides insight on the state of collective bargaining in key service multinationals. Millions of workers are employed by MNCs in Europe. This means that the collective bargaining coverage and outcomes have a significant impact for service workers in our sectors. The second section uses European Structure of Earnings data to chart the coverage and impact of collective pay agreements on service workers in EU Member States over the course of the last 20 years, in relation to pay itself as well as tax income to the state and social security contributions. The third section focuses on union responses to these challenges by mapping the prevalence of sectoral collective bargaining across UNI Europa sectors and the issues raised via these mechanisms. It also briefly reports on organising strategies that UNI Europa affiliates have adopted to confront these challenges.

The main takeaway from this report is the lack of good information that we are confronted with when we start to explore the collective bargaining issues facing workers in Europe in 2021. This has to change. We cannot confront the problems if we do not have a good picture of the nature of the challenge. Collective bargaining must be supported in, and by, MNCs. UNI Europa will continue to push MNCs in this area. Governments and the EU also have a responsibility to support collective bargaining, not only with nice words and empty gestures but with action so that trade unions are no longer restricted in their efforts to establish and develop collective bargaining at every level. Finally, unions ourselves must be willing to adapt in order to confront the world of work as it is, rather than as it used to be or how we wish it was. Only through establishing strong participatory models of collective bargaining can we harness the power of an active and growing membership ready to participate in the collective bargaining that dictates their jobs, pay and conditions.

I. UNDERSTANDING COLLECTIVE BARGAINING COVERAGE IN MULTINATIONAL COMPANIES IN EUROPE

Multinational companies (MNCs) are key actors in setting the standards on collective bargaining coverage across Europe. They employ an estimated 40 million workers across the EU,[1] making up nearly 18% of the total 223.4 million people currently employed.[2] With that scale, these companies have a significant impact on the reach of collective bargaining beyond their own operations as they influence the sector standards other companies must meet.

Many MNCs have committed to respecting working people's rights to collective bargaining and freedom of association, as part of the fundamental ILO Conventions. Some leading companies have gone beyond by entering into social dialogue at the international level, as well as through global framework agreements. On the other hand, many other MNCs have shown patterns of undermining collective bargaining, including examples such as Amazon and Teleperformance.

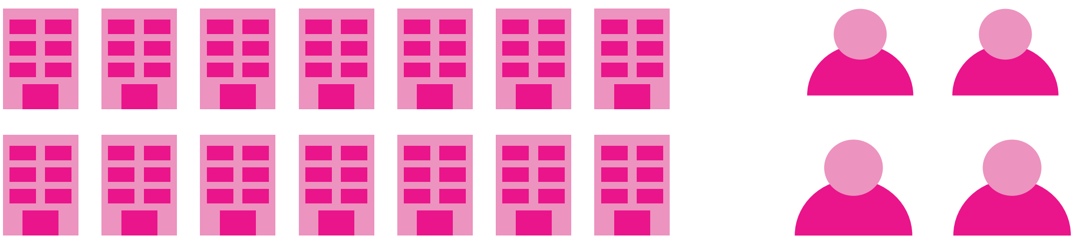
To reach the target of 70% collective bargaining coverage that is currently proposed by the EU, MNCs would have a key role to play to make this a reality in EU member states. There is also momentum for increasing accountability for companies to meet their human rights responsibilities on workers' collective rights.

Mandatory human rights due diligence legislation, which is under development at the EU level and at the national level in many countries, promises to cover the rights to freedom of association and collective bargaining as fundamental rights. The European Economic and Social Committee has also recommended that public procurement contracts for cleaning be awarded only to companies that have collective agreements in place.

For these efforts to be effective, further comparable information is needed on the levels of collective bargaining coverage in MNCs by country as a starting point. Without this, strategies to improve the situation may fail to recognise leading practices, account for key challenges or target the right areas for improvements.

UNI Europa's MNC survey: beginning to address the gap

UNI Europa recently launched a survey of European MNCs in the services sectors, which are engaging in leading practice through their social dialogue at an international level, including through global framework agreements with UNI Global Union.



14 multinational companies **1,27 million workers**

[1] 40 million workers across the EU
[2] Total 223.4 million people currently employed

We received 14 responses, together employing more than 2,420,000 employees globally and 1,270,000 employees within Europe. This represents more than 3% of the workforce employed by MNCs in Europe. Of the responses, 12 companies responded in full, one company reported only on part of their European operations, and one company stated that they do not collect this country level data at group level.

Wider initiatives have highlighted the gaps in this data. For example, the 2020 Workforce Disclosure Initiative, an investor-backed initiative asking companies to report figures on a range of workforce related areas, including total and disaggregated figures on collective bargaining coverage, received responses from 141 companies, out of 750 requested to participate. 20% of those 141 leading companies on disclosures did not disclose the total percentage of workers covered by collective bargaining agreements. Of those that disclosed this total figure 31% did not disclose it disaggregated by country or region. The lack of transparency is stark.

Survey findings

The respondents to UNI Europa's survey report collective bargaining agreements on pay in 62% of their operating countries in Europe, ranging from 32% of operating countries covered by agreements to 100%. Where they report collective bargaining agreements, on average these cover 89% of employees in those countries. Just over half of these agreements were reported as sectoral agreements, or sectoral in addition to company level collective bargaining agreements, which in many European countries are designed to cover 100% of the workforce.

Beneath these overall figures, clear common gaps in practice also emerged. Across Central and Eastern Europe,[3] the average percentage of countries covered by collective agreements drops to only 24%. This striking difference affirms the many challenges unions report in reaching agreements in countries such as Croatia, Hungary, Poland, Romania, Serbia, and Slovakia. Outside of Central and Eastern Europe, Turkey and the UK also stand out for gaps in collective bargaining coverage. Where companies had collective bargaining agreements in these countries, these varied from a majority which covered 100% of the workforce and some covering a relatively small percentage of the workforce, with the lowest covering 30% of workers. Even some countries with overall high levels of unionisation and sectoral coverage showed some gaps in the percentages of the workforce covered by such agreements. For example, while all companies with operations in Germany reported a collective bargaining agreement there, this only covered 79% of their employees, on average.

While the sample size for each sector is relatively small, the initial findings point to some trends by sector in conjunction with the countries of operation. The percentage of countries of operation covered by collective bargaining agreements drops to 56% for the respondent companies in the Commerce sector, in comparison to

[3] *This includes Albania, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, the Slovak Republic, Slovenia, in line with the OECD definition.*

74% in Finance, 73% in ICTS, and 71% in Property Services. This is partly but not fully accounted for by the different levels of presence in countries with overall lower levels of collective bargaining.

On the other hand, some companies demonstrated particularly high levels of collective bargaining coverage. Six companies, across a range of sectors, reported having collective bargaining agreements in all the countries they operate in within Europe. Three of these had an average of more than 90% employee coverage under an agreement.

Next steps: mapping MNCs in Europe

This initial survey points to several key findings essential for strengthening collective bargaining.

Firstly, it demonstrates the need for this data to be collected and transparently reported. Even this sample from a small number of firms provides meaningful insights into the leading practices and challenges at both company and country level, which is essential for informing strategies to put this priority into practice.

The participation of these leading firms in a short timeframe shows the feasibility of collecting and reporting such data. However, the lack of responses from even those companies with commitments in this area, let alone the wider gaps in companies reporting this data highlighted by other initiatives, show that there is a need for attention to ensure such data is collected, made accessible at head office level, and publicly reported. Regulators must ensure that this is required from companies. To be ahead of the curve and demonstrate their commitments in practice, companies should lead the way in reporting their levels of collective bargaining coverage in their standard reporting. Investors should also be asking for such data and assessing companies accordingly.

Moreover, the data highlights key areas where all actors – trade unions, companies, and governments – need to work together to advance collective bargaining coverage. Even amongst leading companies, there are gaps in practice. Data and disclosure should be a foundation for improvements in practice. Particularly as the EU moves to introduce mandatory human rights due diligence through the Sustainable Corporate Governance Initiative, companies must work with trade unions at national, European and global levels on their human rights due diligence to ensure that the rights of freedom of association and collective bargaining are respected, as salient human rights. With Central and Eastern Europe clearly identified as a region where these rights are at risk, steps must be taken to promote respect for these fundamental rights. These efforts must not be relegated to one part of the business but be integrated into core business considerations through oversight of a specific board member. Moreover, leading companies and the trade unions that work with them as social partners have critical insight to share with peers and governments on how to overcome these challenges and lead the way at the national, European and global levels.

2. COLLECTIVE PAY AGREEMENTS COVERAGE AND IMPACT FOR SERVICE WORKERS IN EU MEMBER STATES: TRENDS OVER THE LAST 20 YEARS

UNI Europa recently asked the ETUI to conduct some research on collective bargaining coverage in services sectors[4] across Europe and the impact this had on pay outcomes[5]. More specifically, we wanted to find out what impact collective bargaining agreements that cover pay, referred to here as collective pay agreements (CPAs), had on:

1. Workers' incomes
2. Tax revenues
3. Social security contributions

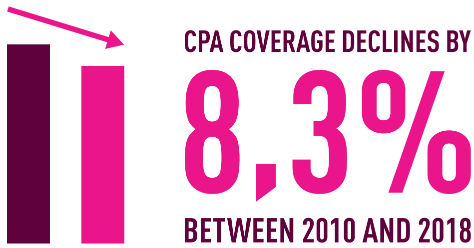
The underpinning logic for this approach was our conviction that collective bargaining is the only sustainable means that working people have to capture a greater share of the wealth they create. Therefore, any reduced payments in these areas that undercut CPAs constitute money taken out of the pockets of both workers and the state and instead channelled to employers, shareholders and tax havens. This also places a downward pressure on aggregate demand because workers tend to spend their wages in the real economy.

In late 2019, the DGB confederation published research[6] showing that collective bargaining coverage had fallen in recent years in Germany and now stood at 54% in the west and just 45% in the east of the country. Their research calculated that the revenues lost annually by nearly 20 million workers not receiving the pay and conditions laid out in collective agreements amounted to almost €75 billion: €35.1 billion in lost wages, €14.9 billion in lost tax revenue and €24.8 billion in lost social security contributions.

Our approach for this report was to make a similar assessment but across all European countries for whom we have data available[7] and to limit ourselves to the services sectors that we represent. The findings point to the continued pressure being placed on collective bargaining by rogue employers, ably assisted by governments hostile to the labour movement.

The impact of declining coverage

First, there is the downwards pressure being placed on CPA coverage (both at sector and company level) over an extended period. From 2010 to 2018 alone, it declined by an average of 8,3% in private services sectors across Europe, with widespread steeper declines in many countries over the period 2000-2010. In addition to this sharp decline on average, many countries saw even bigger declines in private services sector CPA coverage with central Europe, the Baltic states and the Balkans being areas of particular concern, as well as those subject to Troika reforms in the wake of the last financial crash.



[4] The distinction of sectors is not the same as ours in UNI
[5] The authors are thankful to the great work of Wouter Zwysen in this regard
[6] DGB confederation published research
[7] Eurostat Structure of Earnings Survey Data

We then asked the question, what is the impact of these declines? How much income are workers losing out on? If service workers across Europe were to all be covered by the prevailing CPAs in their country and sector then our data shows that the total gross wage across Europe – despite national variation – would increase by €25 billion. As this is an average across all sectors and countries it would have an especially big impact on lower paid workers in Europe. In some countries the increase would be much bigger – with France and Germany standing out in this regard. In France it would mean an 18% pay rise, while in Germany it would be 19%.

It would also result in a total increase of state revenue (across Europe) of €28 billion per year in tax and social security contributions. The effect in Germany is by far the largest, owing to its particular combination of a large difference in pay for those inside or outside of CPAs and the relatively low CPA coverage outlined above.

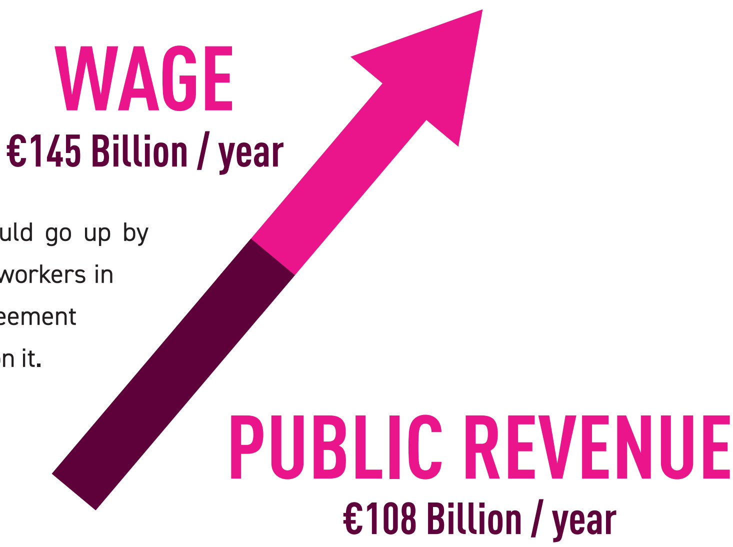
Distinctions between CPAs

In many countries the wage levels stipulated in CPAs are actually less than the average wages in the sector – hence the figures above certainly underestimate the significance of a CPAs on aggregate wage dynamics. This is no bad thing as CPAs typically set floors below which wages in a sector or company should not fall. Also, we must not lose sight of the fact that not all CPAs are equal. Through the Structure of Earnings Survey, we can group CPAs into four categories that will be familiar to many UNI Europa affiliated unions: national, sectoral (industry or industry-region), company-level, or ‘other’.

These CPA-types are of course not mutually exclusive and many workers are covered by more than one CPA. This is the precise reason why UNI Europa has consistently called for the strengthening of sectoral collective bargaining whilst also supporting organising efforts in companies to win company level agreements that build upon sectoral ones. We need both.

This is also shown in the data. Averaged over all service industries, the highest average wage of workers are among those covered by a company-level agreement in Austria, Bulgaria, Czechia, Germany, Denmark, Spain, France, Hungary, Portugal, and Slovakia. Whereas they are at sectoral level in Belgium, Cyprus, Finland, the United Kingdom, Lithuania, Luxembourg, Latvia, Malta, Romania, and Sweden. Finally, it is another type of collective pay agreement in Poland and the Netherlands – where we know from experience that hybrid forms of collective bargaining allow for agreements with groups of companies (so falling between firm-level and truly sectoral collective bargaining, which applies to all employers).

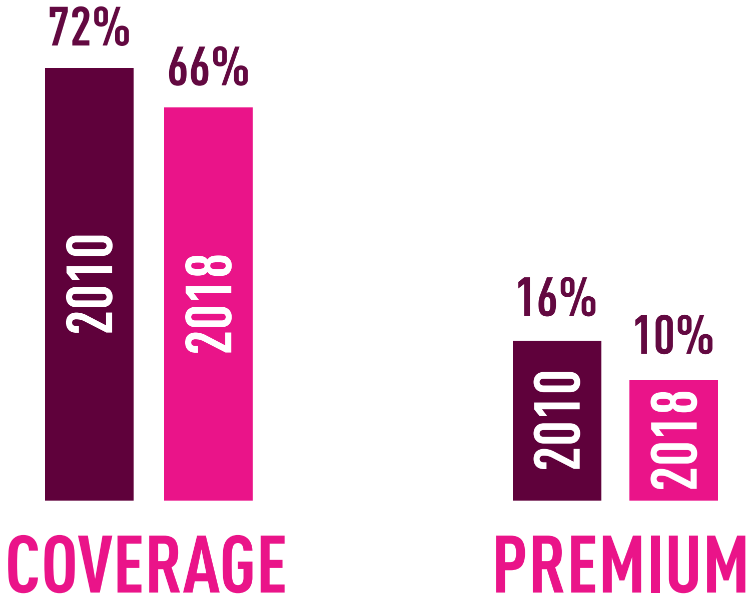
To be more ambitious, if all service workers were to be covered by the CPA that pays the best in their country and sector, workers' gross wage would increase by €145 billion per year. Furthermore, the total revenue Europe-wide would go up by €108 billion every year. For maximum impact, all workers in Europe must benefit from a sectoral collective agreement as well as one at the company level that builds upon it.



The CPA Premium

Finally, the data indicates a closely tied relationship between the coverage of CPAs and the benefits they deliver – what we call here the CPA premium. As we know, the share of workers covered by a CPA has dropped substantially over the last decade (from 72% to 66% overall). At the same time, those workers covered by CPAs earned on average 16% more than those who were not covered in 2010. By 2018, this had dropped to 10% more. Of further concern is the fact that the CPA premium in services sectors is substantially lower than the average.

LOWER COVERAGE LEADS TO A LOWER PREMIUM



In summary, lower coverage of CPAs leads to a lower CPA premium. A downward pressure is placed on the pay and conditions of well-organised service workers by companies that do not respect collective bargaining. This highlights our central point that sectoral collective bargaining is the most effective buttress against bad pay, as well as bad working conditions. We all benefit when more workers are including in collective bargaining units and when every sector is strong.

3. ORGANISING FOR SECTORAL COLLECTIVE BARGAINING

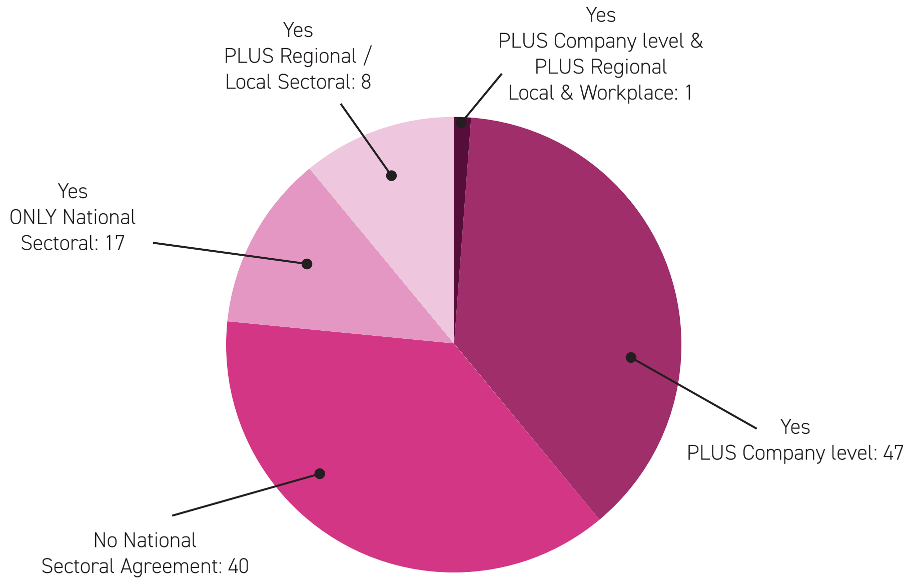
In the final section of this report, we turn our attention inward to the trade union movement. What is it that we can do to fight back on collective bargaining – what is it we are doing to fight back? UNI Europa has invested significantly over recent years into organising work with our affiliates with a clear objective to defend, extend and (re)build collective bargaining. This work has been very successful with more affiliates getting involved all the time as we deliver on supporting them in their collective bargaining rounds.

In early 2020, we began surveying affiliates on a sector-by-sector basis to map systems and to have a rough overview of where sectoral collective bargaining currently exists in European countries, where it might be under pressure and where we might be able to push and achieve sectoral agreements. To date we have received more than 120 survey responses from UNI Europa affiliates and this has been followed up with detailed discussions with some of these unions, with several UNI Europa sectors and the collation of further information to enrich the picture. Nevertheless, this still constitutes only a very partial picture and more mapping is required.

Sectoral collective agreements

Of the survey responses received, we have a relatively well-balanced picture (in terms of countries and sectors) of where our unions have collective bargaining agreements in place. 40 surveys reported the complete absence of national sectoral agreement. Most of these were from countries with weak institutions for national sectoral bargaining but also included some surprises, like Italy and even Finland.

Chart 1 - Is there a national sectoral collective agreement in your country?



In total, 73 responses reported the existence of a national sectoral agreement with a range of options attached (see chart above). The most common of these was national sectoral agreement with company level bargaining too. The countries that reported this tended to be the parts of Europe where trade unions are strongest, particularly all the

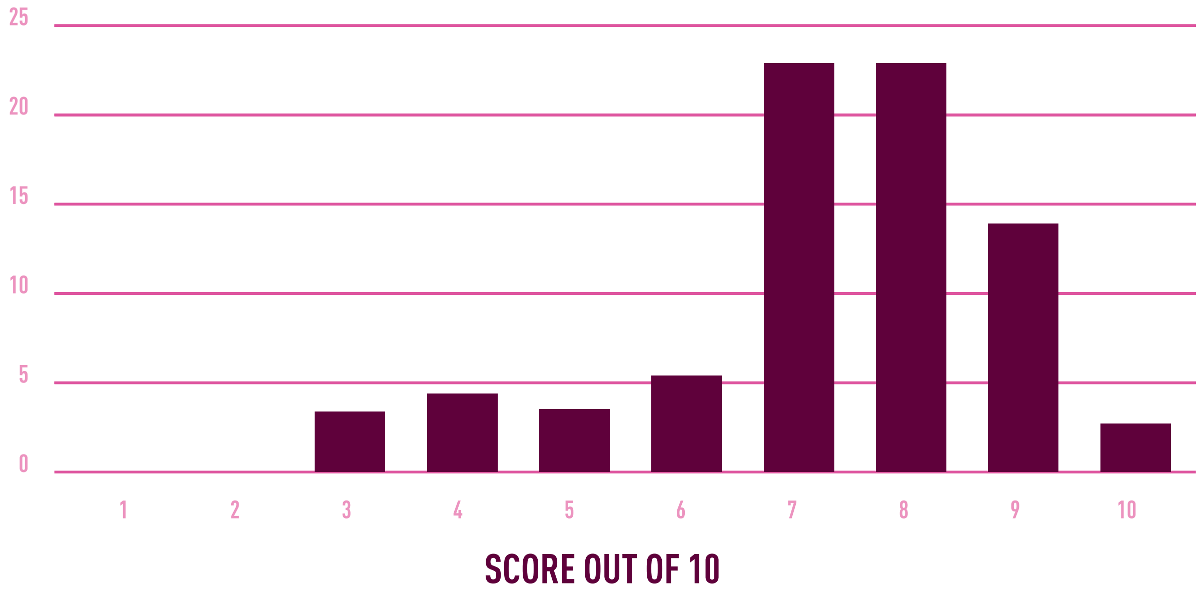
Nordic countries and Belgium (across many sectors). It was also reported several times in Spain, France, Switzerland and, more surprisingly, the UK.

Respect for collective bargaining?

A clear problem that emerges from the survey responses is the wide range of experiences that UNI Europa affiliates report. As we saw in the previous section on CPAs, not all agreements are equal and national sectoral collective bargaining does not automatically deliver progress for workers. This is particularly the case when it is not underpinned by well-organised unions in every company and in an active membership that is included in the process of bargaining.

The good news is that the vast majority of respondents with national collective agreements report high levels of satisfaction. 63 rank the national sectoral agreement as functioning at 7 out of 10 or higher. Three report it as a perfect 10 out of 10 (in France, Spain and Sweden).

Chart 2 - How well would you say the sectoral collective agreement is functioning?



However, a small number report major problems, scoring their agreements as low as 3 out of 10 (in France, Germany and Spain). Other unions reporting very low satisfaction (5 or less) come from across many sectors in countries like Luxembourg, Norway and Sweden.

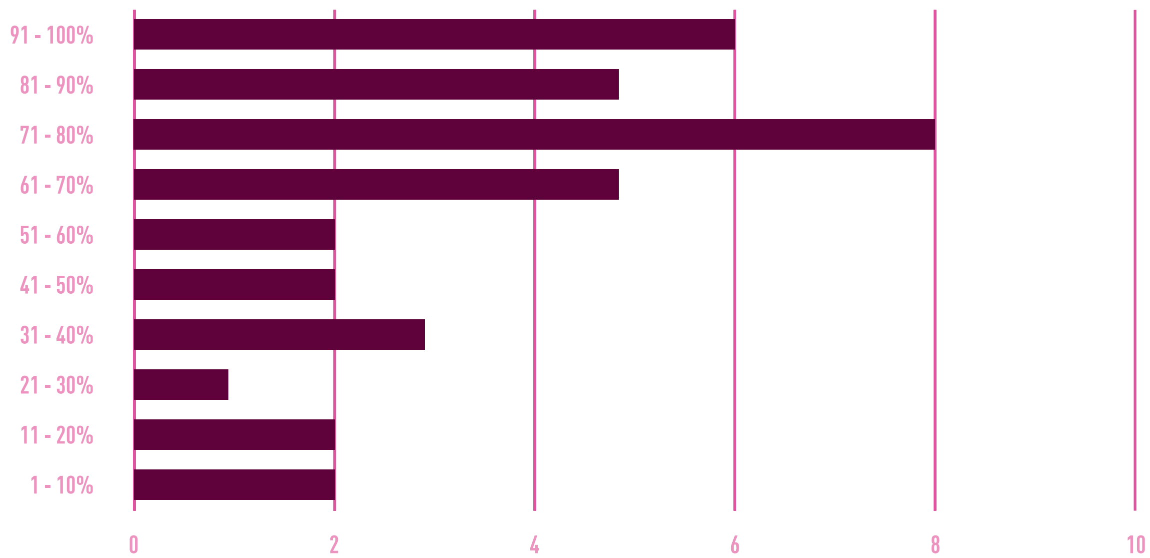
The reasons given for the poor functioning of the sectoral agreements vary but two main themes emerge. The first relates to the contents of the agreements. Several respondents report that the current agreement in place is inferior to the one it replaced, with important provisions – including pay – no longer featuring at the higher level of agreement but being pushed down to company level. The second theme relates to how well the agreements are adhered to by employers. Here, several respondents report that employers simply refuse to respect the agreement that they have signed up to.

Organising for participatory collective bargaining

The challenges outlined above demonstrate the importance of the organising work that UNI Europa (& UNI Global) are committed to and of the drive to defend, extend and (re)build collective bargaining, especially at the sectoral level. The initial motivation for these surveys and the mapping exercise was precisely to identify opportunities to allocate organising resources.

In seeking to identify potential opportunities for new sectoral collective agreements, the survey asked – only to those unions that indicated they did not have national sectoral agreements – what the market share was of the top five employers in the sector. As the chart shows below, most of these were at the higher end of concentration, with six respondents reporting over 90% (especially in unions from Finance and ICTS sectors). This shows the huge potential for organising campaigns when they take a strategic approach and when that strategy is sectoral in focus. As this report has shown there is an essential role in this regard for MNCs too. Several unions have brought in UNI Europa's organising directors as a direct consequence of these surveys, with strong results delivered as a consequence[8].

Chart 3 - Market share of top 5 employers in the sector



The establishment of EPOC in 2019 was undertaken with the express intention to work with unions in the traditional strongholds of European trade unionism. This was in recognition of the fact that collective bargaining was under pressure in these countries, as was highlighted in the survey responses. EPOC is now working closely with unions from Finland to Ireland and from Switzerland to Norway. Almost 20 unions are benefitting from the training and day to day campaign support that ultimately delivers at the bargaining table.

When employers choose to undermine collective agreements, it is out of a perception that they can do so without significant consequences. Collective bargaining and organising are therefore two sides of the same coin because without good structures and well-organised workforces, workplace agreements risk both delivering less progress and becoming easier to undermine. It is ultimately coordinated workplace organising and the shift to participatory collective bargaining processes that delivers for workers at the sectoral level.

[8] *See recent EPOC Network reports*

"This project receives support from the European Commission. This publication reflects the views of the authors only and the Commission cannot be held responsible for any use which may be made of the information contained therein."