Developments in collectively agreed pay 2014

Coordinating the Network of EU Agencies 2015

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This report describes the developments in collectively agreed pay in the EU Member States in 2014 and compares them to developments in previous years. While growth in collectively agreed pay in nominal terms declined, the declining growth of prices resulted in real collectively agreed pay increasing. However, the nominal pay increases remain relatively modest compared with those observed in the first half of the previous decade. Twelve out of fourteen countries with available national estimates reported higher real increases in 2014 than in 2013. The report also provides details on pay indexation mechanisms, central or major cross-sector agreements and pace-setting agreements that were in effect in 2014. Finally, it provides a summary of public sector wage developments. The situation in the public sector varies across countries, with 13 EU Member States reporting rather modest wage increases and others reporting a continuation of pay freezes in the sector.

Introduction

Collective wage bargaining refers to the setting of workers' wage rates in agreements between employers and workers' representatives. It is a core exercise of national social partners and the Treaty on the functioning of the European Union specifies that it lies within their autonomy.

Outcomes of collective bargaining are an important determinant of wage developments. They therefore influence the competitiveness of nations, sectors, regions and companies, as well as employees' income and thus aggregate consumer demand, which is in turn another determining factor of economic growth.

There are many different approaches for collectively negotiating pay throughout Europe. Pay can be negotiated at national, sectoral, regional or company level and these levels can be interlinked in quite sophisticated ways. This process is often supported by the state through setting the rules of the game such as extending agreements to non-affiliated parties or setting the pace for agreements to follow.

Eurofound has reported on developments in collectively agreed pay across Europe on an ongoing basis for almost two decades. This year's annual update reports on average increases of collectively agreed pay stemming from national databases, outcomes of pay indexation mechanisms, pace-setting agreements and national or cross-sectoral agreements and explains these in relation to the national bargaining context and debate.

More information on the above topics may be found in related Eurofound products, such as:

- Changes to wage-setting mechanisms in the context of the crisis and the EU's new economic governance regime;
- EurWORK topical update on minimum wage developments in 2015;
- Collective wage bargaining web portal;
- Pay in Europe in the 21st century.

This report is structured as follows. It first provides an overview of nationwide collectively agreed pay developments. Subsequent chapters describe in more detail pay indexation mechanisms, central or major cross-sector agreements and pace-setting agreements. The final chapter focuses on wage developments in the public sector.

Collectively agreed pay – total economy

Fourteen countries have information resources enabling nationwide estimation of collectively agreed pay change. The developments in average nominal collectively agreed pay in 2014 show a mixed picture compared to 2013. In eight countries, the 2014 increases were lower than in 2013. Four countries saw similar increases in both years. Germany and the UK were the only countries reporting a considerably higher increase in 2014 than in 2013 (Table 1). In real terms, 12 out of 14 countries reported positive real wage increases in 2014 (Table 2). Finland was the only country where collectively agreed pay growth did not keep up with the growth of prices.

This section summarises the statistics on change in collectively agreed pay from 1999 to 2014. The data are based on the national sources as reported by Eurofound's network of European correspondents (see Annex 2). Fourteen countries provided statistics on collectively agreed pay increases in their economies. Other EU countries reportedly have no sources that would be able to estimate nationwide collectively agreed pay developments.

It is important to mention that the national sources use a variety of methods to estimate the change in collectively agreed pay. In some countries, such as the Netherlands and Spain, the figures are based on a full register of collective agreements. In other countries, for example the Czech Republic and Italy, the estimates are based on a sample of collective agreements.

More moderate growth in nominal collectively agreed pay in 2014

Table 1 shows the nominal collectively agreed wage increases since 1999. In many countries, the nominal increases after 2010 tend to be lower than in the previous period. For the period between 2012 and 2014, the collectively agreed wage increases tend to get smaller in 10 out of 14 countries. In almost all included countries, 2014 nominal wage increases remained the same or were lower than those in 2013. The only exceptions are Germany and the UK, with wage increases growing by 0.4 percentage points and 0.5 points respectively in the same period.

Lower inflation drives up growth in real collectively agreed pay

Table 2 shows the collectively agreed wage increases in real terms, which means that developments in price levels are taken into account. After 2008 it became more common for collectively agreed pay not to keep up with price increases than in the previous period. While in 2007 only two countries reported that the collectively agreed pay increase was negative in real terms, seven countries did so in 2008 and twelve (out of fourteen) in 2011. The number of countries where the nominal collectively agreed wage increases did not keep up with the growth in prices (measured by Index of Consumer Prices) fell further as compared to 2013, with only Finland reporting such a development in 2014 (-0.5%). In this sense, the developments in 2014 seem to be a continuation of the reversal in trend, in other words a return to growth in real terms, that started in 2013.

EurWORK's Collective wage bargaining portal provides more data on collectively agreed pay in six sectors (metalworking, chemical industries, retail, banking, central public administration and local government).

Table 1: Collectively agreed nominal wage increases in countries with databases on collectively agreed pay in total economy

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Comments
AT	2.50	2.00	2.60	2.50	2.20	2.00	2.30	2.70	2.50	3.00	3.40	1.60	2.00	3.30	2.60	2.30	About 3.16 million employees are covered by CAs; the figure is based on a representative sample of CAs.
BE	1.70	2.60	3.10	4.00	2.00	2.30	2.40	2.30	1.90	3.10	3.10	0.70	2.40	3.00	1.94	1.00	The figure is based on all relevant CAs.
CZ	8.20	5.10	5.20	5.20	4.10	3.80	3.90	3.90	4.20	5.40	4.40	3.10	2.90	3.00	2.80	2.50	The figures are based on about 280 CAs (38% of CAs in which wage developments are conducted).
DE	3.00	2.40	2.10	2.70	2.50	2.00	1.60	1.50	2.20	2.90	2.60	1.80	2.00	2.70	2.70	3.10	Full coverage
ES	2.72	3.72	3.68	3.85	3.77	3.60	4.04	3.59	4.21	3.60	2.24	2.16	2.62	1.16	0.53	0.57	The figure is based on all CAs (1,728 in 2014).
FI	1.80	2.90	3.30	2.20	2.90	2.40	2.50	1.70	2.10	4.30	3.60	2.00	2.40	2.90	1.40	0.70	The figure is based on all CAs, which cover about 90% of workers. Figure for 2014 is preliminary.
FR	2.20	4.20	3.30	3.50	3.00	3.00	3.30	3.40	2.90	3.40	2.60	1.80	2.10	2.60	1.80	1.40	The 2013 figure is based on 422 CAs making up 95% of all CAs, covering 14,399,500 employees.
IT								4.90	0.30	5.20	1.30	2.00	1.50	1.50	1.40	1.20	The figures are based on 75 CAs making up 25% of all CAs and covering 12.88 million employees.
MT			3.40	1.90	2.90	1.50	5.90	3.60	1.90	1.80	1.80	2.50	0.50	1.90	1.60	1.60	The figures refer only to private sector, in 2014 covering 26,000 employees and 189 firms. The reference years start in September.
NL			4.40	3.60	2.80	1.30	0.70	2.00	2.10	3.30	2.80	1.30	1.10	1.60	1.50	1.10	The figure is based on all CAs.
PT	3.60	3.40	4.00	3.80	2.90	2.90	2.70	2.70	2.90	3.10	2.90	2.40	1.50	1.40	1.00	1.00	Full coverage
SE	2.50	2.70	2.80	2.40	2.20	1.80	2.00	2.20	2.60	3.20	2.80	1.80	1.60	2.80	2.20	2.20	The figure is based on 65 CAs, making up about 10% of all CAs.
SK						7.00	6.00	5.80	6.40	6.30	5.40	3.50	3.70	3.60	3.50	3.20	Data on coverage are not available.
UK	3.50	3.30	3.60	3.60	3.23	3.22	3.00	2.95	3.00	3.20	2.40	1.75	1.83	1.00	1.00	1.50	7,098,000 employees covered by CAs in 2014; the figure covers about 90% of CAs.

Notes: CAs = collective agreements. The reported average increases for Belgium include the increases by automatic indexation.

Source: Eurofound's network of European correspondents

Table 2: Collectively agreed real wage increases using index of consumer prices in countries with databases on collectively agreed pay in total economy

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Comments
AT	2.0%	0.0%	0.3%	0.8%	0.9%	0.0%	0.2%	1.0%	0.3%	-0.2%	3.0%	-0.1%	-1.5%	0.7%	0.5%	0.8%	About 3.16 million employees are covered by CAs; the figure is based on a representative sample of CAs.
BE	0.6%	-0.1%	0.7%	2.4%	0.5%	0.4%	-0.1%	0.0%	0.1%	-1.3%	3.1%	-1.6%	-1.0%	0.4%	0.7%	0.5%	The figure is based on all relevant CAs.
CZ	6.3%	1.2%	0.7%	3.7%	4.2%	1.2%	2.3%	1.8%	1.2%	-0.8%	3.8%	1.9%	0.8%	-0.5%	1.4%	2.1%	The figures are based on about 280 CAs (38% of CAs in which wage developments are conducted).
DE	2.4%	1.0%	0.2%	1.3%	1.5%	0.2%	-0.3%	-0.3%	-0.1%	0.1%	2.4%	0.6%	-0.5%	0.6%	1.1%	2.3%	Full coverage
ES	0.5%	0.2%	0.9%	0.2%	0.6%	0.5%	0.6%	0.0%	1.4%	-0.5%	2.4%	0.2%	-0.5%	-1.2%	-1.0%	0.8%	The figure is based on all CAs (1,728 in 2014).
FI	0.5%	0.0%	0.6%	0.2%	1.6%	2.3%	1.7%	0.4%	0.5%	0.4%	2.0%	0.3%	-0.9%	-0.3%	-0.8%	-0.5%	The figure is based on all CAs, which cover about 90% of workers. Figure for 2014 is preliminary.
FR	1.6%	2.4%	1.5%	1.6%	0.8%	0.7%	1.4%	1.5%	1.3%	0.2%	2.5%	0.1%	-0.2%	0.4%	0.8%	0.8%	The 2013 figure is based on 422 CAs making up 95% of all CAs, covering 14,399,500 employees.
IT								2.6%	-1.7%	1.6%	0.5%	0.4%	-1.4%	-1.7%	0.1%	1.0%	The figures are based on 75 CAs making up 25% of all CAs and covering 12.88 million employees.
MT			0.9%	-0.7%	1.0%	-1.2%	3.3%	1.0%	1.2%	-2.8%	0.0%	0.5%	-2.0%	-1.3%	0.6%	0.8%	The figures refer only to the private sector, in 2014 covering 26,000 employees and 189 firms. The reference years start in September.
NL			-0.7%	-0.3%	0.6%	-0.1%	-0.8%	0.3%	0.5%	1.1%	1.8%	0.4%	-1.4%	-1.2%	-1.1%	0.8%	The figure is based on all CAs.
PT	1.4%	0.6%	-0.4%	0.1%	-0.4%	0.4%	0.6%	-0.3%	0.5%	0.4%	3.8%	1.0%	-2.0%	-1.4%	0.6%	1.2%	Full coverage
SE	2.0%	1.4%	0.1%	0.5%	-0.1%	0.8%	1.2%	0.7%	0.9%	-0.1%	0.9%	-0.1%	0.2%	1.9%	1.8%	2.0%	The figure is based on 65 CAs, making up about 10% of all CAs.
SK						-0.5%	3.1%	1.4%	4.4%	2.3%	4.5%	2.8%	-0.4%	-0.1%	2.0%	3.3%	Data on coverage are not available.
UK	2.2%	2.5%	2.4%	2.3%	1.8%	1.9%	0.9%	0.6%	0.7%	-0.4%	0.2%	-1.5%	-2.6%	-1.8%	-1.6%	0.0%	7,098,000 employees covered by CAs in 2014; the figure covers about 90% of CAs.

Note: The reported average increases for Belgium include the increases by automatic indexation.

Source: Eurofound's network of European correspondents and Harmonised Index of Consumer Prices as provided by Eurostat (15 June 2015)

Table 3 describes the sources of the data in more detail.

Table 2: Sources of data on collectively agreed pay

Country	Data source
AT	**Index of minimum collectively agreed wages by Statistics Austria** The data are based on a sample of agreements, and are chosen following a two-stage sampling procedure (at the level of the collective agreements or laws and then at the level of wage positions). The data are representative for the whole private economy, agricultural sector and municipalities.
BE	**Index of Collectively Agreed Wages (FR/NL)** The reported figure is a weighted average (by sector according to number of employees and number of white-collar/blue-collar workers by sector) based on the Index of Collectively Agreed Wages. The index is derived from a register that contains all collective agreements at sector level (joint committees – around 170 in total) in the private sector. Company-level collective agreements are not

	included. The weighting between sectors is based on employment figures. The reported average increases include the increases by automatic indexation.
CZ	**Working Conditions Information System by Trexima Ltd.** The figure is based on a regular annual survey of a sample of collective agreements. The 2014 figure is based on 280 agreements conducted by 25 trade unions, out of 742 collective agreements in which wage developments are set. The data are a simple unweighted average increase in nominal wages.
DE	**WSI Collective Bargaining Archive (in German) of the Institute for Economic and Social Research within the Hans Böckler Foundation** The figures are based on all sectoral collective agreements containing pay provisions for a given reference year. Company-level agreements are included if they affect at least 1,000 employees in western Germany and 500 employees in eastern Germany. The duration of the agreement and one-off payments are taken into account. The figures are weighted by the number of employees (liable to social security contributions) covered by the agreement. The data cover collective agreements concluded by trade unions affiliated to the Confederation of German Trade Unions (DGB), affecting some 7.6 million employees liable to social security contributions (about 38% of those employees working in industries covered by a collective agreement). Another 11.5 million employees were affected by pay increases in 2014 which had already been agreed in previous years.
ES	**Statistics on Collective Agreements (in Spanish) by the Ministry of Employment and Social Security** All company and sectoral collective agreements are collected in the database. The figure is weighted based on the number of employees covered by the agreement. The figure includes basic wages, cost of living allowances and other guaranteed and regularly paid allowances. Agreements are recorded depending on their economic effects in the respective year, irrespective of their actual duration. Multiannual collective agreements longer than two years, which are renewed annually, are also recorded every year as a new agreement.
FI	**Index of negotiated wages from Statistics Finland** The index describes contributions of collectively agreed wage increases to increases in average wages. It is calculated as a chained index using the same weight structure as in the Index of Wage and Salary Earnings. The effects of negotiated pay increases are estimated in relation to the earnings level at the previous year-end. The index includes agreements from the private sector, local government and central government. Data cover all workers covered by collective agreements.
FR	**Annual collective bargaining reports (in French) published by the Office for Research and Statistics of the Ministry of Labour and Employment** The figures reported refer to the agreed minimum rise in basic salaries, which also includes some bonuses (production or individual performance bonuses, and rewards in kind). Data are based on the sectoral collective agreements filed with the Ministry of Labour and Employment until the first quarter of the following year, usually covering around 95% of all sectoral agreements concluded over the respective year. Only sectoral agreements covering 5,000 employees or more are included in the calculation. The figures are weighted based on the employees covered by each agreement.

IT	**National Institute of Statistics data on Collective agreements and contractual wages (in Italian)** The figure is based on a sample of 76 (out of 294) agreements covering 12.9 million employees. The figure is weighted according to the number of employees. Lump-sum payments are taken into account when calculating the wage increases.
MT	**Data from the Economic Survey** The data are derived from a sample of 189 company agreements covering 25,839 employees. The sample changes from year to year, so that the figures are not directly comparable over years. The figure is weighted according to economic activity and major employment categories. All payments that are not part of the basic wage are excluded. The reported figures include the increases by automatic indexation. The wage change in year *t* refers to the period between September of year *t*-1 and September of year *t*.
NL	**Statline (in Dutch) (Central Statistical Bureau)** The 2014 data are based on a full register of collective agreements (about 700 agreements). The figure is weighted for employees and agreements that are valid for more than 12 months are split up per calendar year. The figures from previous years are based on data from the Labour Inspectorate, which conducts research on a large sample of collective agreements.
PT	Average weighted intertable variation **by the Ministry of Employment** The figures provided are the annualised data. All collective agreements (except public administration) signed under the legislation on collective bargaining are included in the register. The figures are weighted based on number of employees.
SE	**National Mediation Office data** The figure is based on a sample of about 65 agreements (out of about 650 agreements in Sweden), weighted on the basis of payroll and the number of employees in the respective sector. Most agreements included in the data are at the sectoral level but agreements at the company level are included as well. All sectors are covered, with the exception of agriculture and forestry. The sample of agreements is almost the same from year to year.
SK	**Information System on Working Conditions issued by the Ministry of Labour, Social Affairs and Family and Trexima** The figure is a simple average, based on a regular sample survey in companies with and without collective agreements. The sample is updated every year, which also changes the collective agreements covered.
UK	**Payline database maintained by the Labour Research Department (LRD)** The figures represent the median collectively agreed increase in the lowest basic pay rate, weighted for the number of workers covered by each agreement. Multiannual agreements are disaggregated into annual components. The pay information comes from trade union sources at all levels and a very limited amount of information from private sector employers. The sample is essentially a convenience one, although its coverage is extensive. The number of agreements included in the annual survey of the pay bargaining has fluctuated around 700 agreements in recent years. The data on the outcomes of the 2013–2014 bargaining round are based on 664 agreements covering 7.1 million workers. The database is constantly updated. Company- and sector-level agreements are included in the database.

Note: Annex 1 provides a full list of country codes.
Source: *Eurofound's n*etwork of European correspondents

Pay indexation

In 2014, four EU countries reported automatic wage indexation. These schemes meant that there were no wage increases in Cyprus and Luxembourg. The Belgian government decided not to apply the 2% wage increase that would have resulted from automatic wage indexation. Automatic wage indexation took place in Malta.

In 2014, four countries – Belgium, Cyprus, Luxembourg and Malta – had automatic pay indexation mechanisms in place. These mechanisms aim to link wage development with the evolution of living costs to ensure that real wages are not overtaken by inflation. The different forms of wage indexation that can be found across Europe were investigated in the Eurofound report Wage indexation in the European Union. In all four countries, the indexation mechanism has been a topic of debate. The subject was also addressed in the framework of the Country-Specific Recommendations for 2015.

In **Belgium**, because of the guarantee provided by the system of automatic indexation, the (accuracy of) the expected price evolution usually does not cause controversy during the two-yearly wage negotiations (see IPA – central agreement, below). As such, the indexation mechanism provides a basis for social bargaining on whether or not it is possible to increase real wages. The decision of the government not to apply the 2% wage increase that would have resulted from automatic wage indexation sparked a debate between the advocates and opponents of the Belgian automatic indexation system.

The revised Memorandum of Understanding on Specific Economic Policy Conditionality (214 KB PDF) (September 2014) refers to the reform of the **Cypriot** Cost of Living Adjustment (COLA) system. It states a tripartite agreement would have been pursued with social partners by the fourth quarter of 2014 for the suspension of wage indexation in the private sector until 2016 and the application thereafter of the reformed wage indexation system (COLA) applicable to the public sector (lower frequency of adjustment, suspension at times of recession and partial indexation). It appears, however, that a tripartite agreement in this regard will not be feasible in the near future, due to strong disagreement by some of the trade unions with the content of the reform.

The Cypriot employer organisations think that labour productivity on the sectoral and enterprise levels and the competitiveness of enterprises should constitute the basic elements of the new automatic pay indexation system, even after the crisis. For the employer organisations, the term 'competitiveness' essentially refers to the profitability of enterprises. The indexation mechanism has also been discussed in **Luxembourg**. The argument of the employers' Union of Luxembourg Enterprises (UEL) was that the country is losing competitiveness and that it needs to abolish the indexation system. Trade unions defended the system as a guarantee for social peace in the country. This debate on competitiveness is related to wage developments in the country. In June 2014, the government announced a return to the full wage indexation system, which had been 'modulated' between 2012 and 2014. In July 2014, a meeting was held to discuss this announcement between the government, employers (UEL) and trade unions (Independent Trade Union of Luxembourg (OGBL), Luxembourg Confederation of Christian Trade Unions (LCGB) and General Confederation of the Civil Service (CGFP)). Trade unions have confirmed their satisfaction with the government's position, whereas employers have reiterated their concern over the evolution of labour costs. If the inflation rate makes it necessary to raise the index more than once in 12 months, negotiations will be opened with social partners over another temporal modification of the indexation system.

In **Malta**, the Employers' Association (MEA) repeated its long-held view in proposed amendments to the Employment and Industrial Relations Act (415 KB PDF) that the COLA mechanism should be revised to reflect productivity and efficiency levels. The MEA argued that the government is ignoring recommendations by the EU Commission, the International Monetary Fund and the Central Bank of Malta in this regard. Unions are reluctant to concede such change as it might result in lower COLA increases. The General Workers' Union (GWU) has been proposing for a number of years that the COLA should be reviewed every six months to reflect more recent developments in the price of products. The government stated that as long as there is no consensus among social partners on what changes should be implemented to the system, the system should remain as it is, since it believes that the system is serving its purpose. According to the government, the COLA mechanism has over the years helped to stabilise wages in the private sector.

Description of the mechanisms

Belgium

Name:		**Automatic wage indexation**
Signatory parties	Trade unions	Yes
	Employer organisations	Yes
	Government	No

In Belgium, the total wage increase is based on two indicators:

- automatic indexation;
- the maximum wage increase (calculations made at the Central Economic Council) based on the expected wage evolution in France, Germany and the Netherlands.

The system of indexation is not centrally organised and constitutes a patchwork of mainly sectoral systems, which differ in details. The price index, to which the wage increases are related, is the so-called 'health index', a basket of consumer goods, excluding prices of goods such as alcoholic beverages, cigarettes and petrol.

In general, two systems are applied:

- The 'spill index', according to which the date of the automatic indexation is not fixed, but the wage increase depends on the agreed recalculation of the health index or social index (the social index is a four-month moving average of the health index). Wages are increased by 2% when the health index has recorded an increase of 2%. This system is applied in the public sector, for example.
- The coefficient system looks to the health index at a certain point in time and compares it with another point in the past. The percentage difference in coefficient determines the change in wages that is adopted. This can be done on a monthly, quarterly, half yearly or yearly basis (1 January for example). In this system, the date of adaptation is known, but not the wage increase.

Cyprus

Name:		**Cost of Living Adjustment (COLA)**
Signatory parties	Trade unions	The initial agreement that was signed in 1944 between the Pancyprian Trade Union Committee (PTUC, dissolved in 1946) and the Department of Labour covered only white-collar and blue-collar workers employed in the public sector. In the private sector, the system of COLA applied for the first time in 1947 in the sectoral collective agreement in the construction industry.
	Employer organisations	From 1947 on, the system of COLA was gradually recognised by the national peak-level employer organisations and incorporated into all collective agreements at industry and enterprise level.
	Government	In 1944, the Department of Labour signed the agreement as the employer on behalf of white-collar and blue-collar workers employed in the public sector.

The wages of all employees covered by collective agreements are currently readjusted every 12 months, on 1 January, on the basis of the percentage change in the consumer price index (CPI) over the preceding 12-month period. The CPI is calculated by the Statistical Service of Cyprus on the basis of a basket of goods.

The reform of the COLA system is part of the Memorandum of Understanding on Specific Economic Policy Conditionality (MoU) of March 2013. The reform included:

- a lower frequency of adjustment, with the base period for calculating the COLA lengthened from six months to twelve months (on 1 January each year);
- a mechanism for automatic suspension of application and derogation procedures during adverse economic conditions, so that if in the second and third quarters of a given year negative rates of growth of seasonally adjusted real GDP are registered, no indexation would be effected for the following year;
- a move from full to partial indexation, with the rate of wage indexation set at 50% of the rate of increase of the underlying price index over the previous year.

The new system is fully and officially implemented in the public sector. In the private sector, most enterprises do not currently provide for the COLA but there is no official agreement on suspension.

The new system for calculating the COLA retained most of the elements of a proposal put forward by the Ministry of Labour and Social Insurance (MLSI) in November 2012 and approved by the three biggest trade unions: the Democratic Labour Federation of Cyprus (DEOK), the Pancyprian Federation of Labour (PEO) and the Cyprus Workers' Confederation (SEK). According to the unions' rationale, although the ministry's proposal was considered particularly harsh for the employees, as it effectively cancels out the automatic nature of the system, some of the characteristics of the system are retained, while indexation can still be arranged through collective bargaining. However, the Employers and Industrialists Federation (OEB) made a counter-proposal for a freeze for as long as the memorandum will be in force, and also for the firm's financial situation throughout the whole year to be taken into account in bargaining, rather than just the position during the last two quarters. The general principle of indexation, as well as the system of calculation, have been repeatedly criticised by employer organisations in Cyprus, which have stated that they would prefer the whole system to be abolished. The issue of altering the system, and in particular the relationship between indexation and productivity levels in Cyprus, was last seriously discussed between social partners over a two-year period between 1995 and January 1997.

Luxembourg

Name:		**Indexation of wages**
Signatory parties	Trade unions	Not applicable
	Employer organisations	Not applicable
	Government	Not applicable

Salaries, wages and social contributions (including the social minimum wage) are adjusted in line with the evolution of the cost of living. When the consumer price index increases or decreases by 2.5% during the previous six-month period, salaries are normally adjusted by the same proportion. The consumer price index and its impact on the sliding wage scale are published monthly by the national statistics service. The employer must, where applicable, increase all wages by 2.5%.

Malta

Name:		**Cost of Living Adjustment (COLA)**
Signatory parties	Trade unions	The secretaries general of the General Workers' Union (GWU), the United Workers' Union (UHM), the Forum of Maltese Unions (FORUM) and the Confederation of Malta Trade Unions (CMTU)
	Employer organisations	The presidents of the Malta Employers Association (MEA), the Malta Chamber of Commerce, Enterprise and Industry, the Malta Hotels and Restaurants Association (MHRA) and the Malta Chamber of Small and Medium Enterprises (GRTU)
	Government	The Principal Permanent Secretary of the Civil Service, the Permanent Secretaries of the Ministries for Finance, for the Economy, Investment and Small Business, for Foreign Affairs and for Social Dialogue, the Director General of the Economic Policy Division, and the Governor of the Central Bank of Malta
	Other	The chair of the Malta Council For Economic and Social Development

Wages are adjusted annually in accordance with the inflation rate as measured by the retail price index. This wage increase, referred to as COLA, is given at a flat rate to all employees. It is based on the 12-month moving average rate of inflation as at the end of September. The amount of this annual wage increase is worked out by dividing the percentage of the rise in inflation with the basic pay, which consists of the minimum wage plus bonus given in instalments throughout the year.

Increase and coverage

No increases were negotiated or set in 2013 and 2014 in **Cyprus**. Under the provisions of the Memorandum of Understanding (MoU, see above), a total freeze of the COLA was foreseen for the period 1 January 2013 to 31 December 2014. According to the MoU, the Cypriot authorities should reform the wage-setting framework for the public and private sector in such a way as to improve real wage adjustment.

The COLA system applies at national level and covers employees in all sectors of the economy. However there are no data available on the exact coverage rates. It is estimated that the COLA covers about 70,000 employees in the public and the semi-public sectors, as well as about 150,000 employees in the private sector, which amounts to approximately 70% of all employees.

Given that wage indexation in Cyprus applies to the outcomes of collective bargaining, in theory it applies only to workers covered by collective agreements. However, in practice, wage indexation covers all employees, regardless of whether they are a member of a trade union.

The **Belgian** governmental agreement presented in October 2014 aimed to decrease the wage gap with neighbouring countries and to increase the competitiveness of the economy. For this reason, the government decided not to apply the automatic wage index mechanism which increases wages by 2% (Regeerakkoord – Accord de gouvernement). All blue-collar and white-collar workers employed in the private sector, without exception, are covered by the indexation. According to the National Social Security Office, this affected 2,725,000 employees as of September 2014 (excluding the public sector). According to a 2014 technical report (in Dutch, 1.4 MB PDF) by the Central Economic Council, from 2011 to 2014 the nominal annual increases as stated in the indexation agreement were as follows:

- 2014: 0.7% (estimate);
- 2013: 1.9%;
- 2012: 2.6%;
- 2011: 2.5%.

In **Luxembourg**, no nominal increase due to automatic wage indexation occurred in 2014 and the last nominal increase of 2.5% took effect from 1 October 2013. All employees are covered by the indexation. Inflation serves as the indicator for determination of the increase. Pay, minimum wage and social benefits are covered by the indexation.

In **Malta**, due to the low inflation in 2014, the COLA increase at 1 January 2015 was just €0.58 per week. Unions were unhappy with such a low increase but tended to accept it, since it was based on the existing agreed mechanism. To make up for such a low increase, during the 2015 government budget speech it was announced that a one-time additional annual bonus of €35 would be given to low-income earners. The nominal increases as stipulated by the COLA mechanism in Malta from 2013 to 2015 are as follows:

- €4.08 per week from 1 January 2013;
- €3.49 per week from 1 January 2014;
- €0.58 per week from 1 January 2015.

Wage indexation affects all wages in Malta, including the statutory minimum wage. All employees (152,258 people as of the second quarter 2014) are covered by the COLA mechanism. The mechanism is used in collective bargaining as a basis for other wage increases. When collectively agreed wage increases are less than the COLA, they have to be adjusted so that the effective increase is equivalent to the COLA. In its annual budget, the government also declares who will benefit from the COLA, apart from employees. According to the 2014 budget, students' stipends would be increased pro-rata every year to compensate for cost of living increases. In the 2015 budget, it was declared that the COLA would be granted in full to pensioners.

Table 4: Coverage of automatic pay indexation, by country

Country	Pay	Minimum wage	Social benefits
BE	Yes	Yes	Yes
CY	Yes	No	No
LU	Yes	Yes	Yes
MT	Yes	Yes	Yes

Central or major cross-sector agreements

Four countries (Belgium, Finland, Hungary and Spain) reported in 2014 that they had central or major cross-sectoral agreements. In the latter three countries, the agreements included a wage increase. In Belgium, the agreement specified no extra wage increase above the automatic wage indexation.

In 2014, Belgium, Finland, Hungary and Spain reported the existence of central or cross-sectoral agreements.

In **Finland**, employers continuously promote a development from central to more local wage-setting. According to the Pact for employment and growth, the national labour market confederations of Finland met in June 2015 to review progress in the general economic climate. They agreed on the wage increases for the second phase of the agreement. The agreement includes an increase of €16 per month or at least 0.43%. In practice, incomes of under €3,720 a month will get a flat rise of €16 and higher salaries will see an increase of 0.43%. The agreement period runs from 31 January 2016 to 31 January 2017.

In **Spain**, there was a debate on the pact on salary increases during 2014, as part of the 2012–2014 agreement for employment and social dialogue. Trade union representatives argued that the new agreement should not just extend the terms and conditions of the 2012–2014 agreement (where social partners had agreed on wage moderation), given that the economic cycle was beginning to change. Also, they asked for a formula which could allow more flexibility; for example, they argued that there were already some companies which had got over the crisis, so they were ready to offer better financial conditions to their employees. However, the main employer organisations supported the idea of maintaining salary restraint for two more years. As of April 2015, no agreement had been reached by the social partners.

Description of the agreements

Belgium

Name:		**Two-yearly Interprofessional Agreement (IPA)**
Signatory parties	Trade unions	Yes
	Employer organisations	Yes
	Government	In case of no agreement (as occurred in 2011–2012 and 2013–2014)

The law of 26 July 1996 to stimulate employment and to protect the competitiveness of the Belgian economy requires the Central Economic Council, in which the officially recognised Belgian trade unions and employer organisations are represented, to publish a yearly technical report on wage evolution in Belgium and the neighbouring countries. Every two years, this report is the starting point for social bargaining on a new two-yearly Interprofessional Agreement on the maximal available margin for wage rises. If it is not possible for the representative organisations to reach an agreement signed by all parties, the government can decide the maximum wage increases. The total wage increase is based on two indicators (the automatic indexation and the expected wage evolution in Germany, France and the Netherlands), which is the basis of the maximum wage increase. The calculations are made at the Central Economic Council.

Finland

Name:		**Pact for employment and growth**
Signatory parties	Trade unions	Confederation of Unions for Professional and Managerial Staff in Finland (Akava) Central Organisation of Finnish Trade Unions (SAK) Finnish Confederation of Salaried Employees (STTK)
	Employer organisations	Confederation of Finnish Industries (EK) Labour Market Organisation of the Church (KiT) Commission for Local Authority Employers (KT) Office for the Government as Employer (VTML)
	Government	Not a signatory party

The national labour and employer confederations decided on a national agreement on wages and salaries in August 2013. The agreement period is divided into two stages. The first phase of the agreement period will last for 24 or at least 22 months beginning after the current collective agreement. The second phase will end between 1 November 2016 and 31 January 2017. The pact aims to restore economic growth by 'increasing employment, equitably boosting the purchasing power and earnings of all employees, and enhancing the prospects of businesses in global competition'. Pay rises are, however, marginal and in reality the agreement is unlikely to boost purchasing power. The pay rises were determined with reference to international uncertainty, the immediate consequences of rapid restructuring and a lack of competitiveness. The pact also included agreements on adjustments to some social insurance contributions and general working conditions, as well as a list of issues to be negotiated by the partners at sectoral level.

Hungary

Name:		**Recommendation on average wage increase for 2014**
Signatory parties	Trade unions	Three national trade union confederations that are members of the Permanent Consultative Forum of the Private Sector and the Government (VKF): - Democratic League of Independent Trade Unions (LIGA) - National Confederation of Hungarian Trade Unions (MSZOSZ) - National Federation of Workers' Councils (MOSZ)
	Employer organisations	Three national employer confederations that are members of VKF: - Confederation of Hungarian Employers and Industrialists

		(MGYOSZ) - Hungarian Federation of Consumer Co-operative Societies and Trade Associations, ÁFEOSZ-COOP Federation - National Association of Entrepreneurs and Employers (VOSZ)
	Government	Yes

The recommendation on average wage increases is a tripartite agreement, concluded within the Permanent Consultative Forum of the Private Sector and the Government (VKF). It is meant to orient lower-level collective bargaining on average pay rises. It is usually negotiated along with the national minimum wage, although the outcomes of the procedure are of different legal natures. While the minimum wage is eventually implemented by a government decree, the tripartite recommendation has no legal effect and is issued by VKF. It is the responsibility of the signatory parties, especially the social partners, to what extent their members will follow the recommendation. The indicators which serve as a basis for the discussions about recommended wage increases are expected inflation and expected GDP growth. Most social partners use the recommendation as an orientation in their lower-level bargaining (primarily company level), and follow it to the extent that economic conditions and their negotiating powers allow. There is no reliable analysis on the effect of the national recommendation on wage increases agreed within VKF. Its impact on real wage processes could only be limited since the recommendation agreed covers only the private sector, some national social partners active do not participate in the VKF (and are not bound by the agreement), social partners' presence is fairly limited in small and medium-sized enterprises (SMEs) and in micro companies, and because the recommendation is considered a soft tool. According to a survey conducted by Policy Agenda in January 2014, 42% of top managers in the SME sector did not even hear about the national wage recommendation. This means that possible bargaining actors could not get sufficient information from trade unions, employer organisations, the government or the media.

Spain

Name:		**Agreements for employment and collective bargaining 2012–2014**
Signatory parties	Trade unions	Trade Union Confederation of Workers' Commissions (CCOO) General Workers' Union (UGT)
	Employer organisations	Spanish Confederation of Employers' Organisations (CEOE) Spanish Confederation of SMEs (Cepyme)
	Government	No

Up to 2010, the wage indexation mechanism followed by the social partners was based on the inflation rate forecast by the government. Since 2010, cross-sectoral agreements for employment and collective bargaining have not used forecast inflation as the wage indexation mechanism. The 2012–2014 agreement established that in 2014 the wage increase should be adapted to the growth of the Spanish economy measured by GDP growth.

The national agreements for employment and collective bargaining establish the main criteria and guidelines for collective bargaining in Spain. For instance, the 2012–2014 agreement tried to ensure the improvement of the competitiveness of the Spanish economy in determining the principles and recommendations for collective bargaining (the structure of collective bargaining and internal flexibility, employment, training, flexicurity, information and consultation, wage criteria and introduction of opt-out clauses in collective bargaining). Opt-out clauses should only be applied in case of persistent drop of revenues. The agreements at lower levels are determined by these arrangements. In fact, the signatory parties of the national agreements for employment and collective bargaining (in other words, the main Spanish trade unions and employers' representatives) commit themselves to applying these conditions in other agreements signed.

Increase and coverage

Wage increases agreed in the central and major cross-sectoral agreements in Belgium, Finland, Hungary and Spain are summarised in Table 5.

Table 5: Wage change agreed in central and major cross-sectoral agreements and coverage of these agreements in terms of employees

	Belgium	**Finland**	**Hungary**	**Spain**
Year				
2011	0%	The Framework Agreement 2011–2013 agreed a 2.4% wage increase and lump sum of €150 for the period 2011–2012 and a wage increase of 1.9% for 2012–2013.	4%–6% gross increase	Agreed salary increases should be between 1% and 2%
2012	0.3%		No agreement on wages	Maximum of 0.5%
2013	0% (no extra wage increase above automatic wage indexation)		Real value of net wages should be maintained*	Maximum of 0.6%
2014	No extra wage increase above automatic wage indexation	Flat increase of €20 starting 4 months after the expiry of the collective agreement that was applicable on 30 August 2014. Additional increase of 0.4% applicable 12 months after the abovementioned increase.	3.5%	Maximum of 0.6%
Coverage	All blue-collar and white-collar workers employed in the private sector (2,725,000 as of September 2014, excluding public sector, source: National Social Security Office (in Dutch))	The agreement is a basis for lower-level collective agreements covering about 93% of the workforce.	Data not available	100% of employees

*Note: * Tripartite agreement signed in the Permanent Consultative Forum of the Private Sector and the Government (VKF).*

Source: Eurofound's network of European correspondents

Pace-setting agreements

Austria, Denmark, Finland and Sweden reported having a system of pace-setting agreements in 2014. All pace-setting agreements agreed a pay increase in 2014 ranging from 1.48% in Denmark to 2.8% in Austria. The Finnish pace-setting agreement prescribing a flat increase of €20 was of lesser importance in 2014 due to the existence of a central agreement in the country.

Pace-setting agreements are agreements concluded in one part of the economy and serving as a reference point in collective bargaining in other parts of the economy. In 2014, pace-setting agreements were reported in Austria, Denmark, Finland and Sweden. The discussions regarding the pace-setting agreement are described below. Later, the individual pace-setting agreements will be discussed and information provided on the wage change agreed.

In **Austria**, following strikes in the 2011 bargaining round in the metalworking industry, six sector-related employer organisations that were formerly negotiating jointly ceased to do so. Since the 2012 bargaining round they have conducted separate wage negotiations. The unions have been trying get back to joint bargaining but their attempts have been unsuccessful.

In **Finland**, there was an ongoing debate on wage setting in 2014, where especially the employers' side would like to see an increase in local-level agreements instead of wage setting coordinated at central level, in order to be able to take the enterprise's individual economic situation into account.

In **Sweden**, two aspects of the 'cost mark' have been debated during the year. The cost mark is the rate set by bargaining in the industrial sector, and is used as a benchmark level of annual wage revisions in the labour market as a whole. The first aspect of the cost mark concerned changes that are already happening, namely the shift towards collective agreements with no stipulated wage increase for white-collar and professional employees (article in Swedish). The IF Metall union is reported by the media to be sceptical about this shift (article in Swedish), believing that it undermines the Industrial Cooperation and Negotiation Agreement, but the white-collar Vision union sees it as a chance to increase the flexibility in wage formation (article in Swedish). The Swedish Confederation of Enterprise supports the so-called 'numberless' agreements (article in Swedish), but does not see them as a threat to the cost mark. Despite the debate, there is a consensus among employer associations and most unions on the value of the cost mark. As 90% of the Swedish labour market is covered by collective bargaining, a rough estimate of those covered by agreements affected by the cost mark would be 4.3 million employees.

The other debate concerned the pay gap between men and women. At the yearly Swedish political meeting Almedalen Week, a seminar arranged by the Swedish Municipal Workers' Union (Kommunal) and the political party Feministiskt Initiativ (F!) discussed whether the present Swedish model with the cost mark setting the pace for wage increases with the support of the National Mediation Office was an obstacle to closing the pay gap (see article (in Swedish)). At the seminar, representatives from six (out of eight) parties in parliament agreed that the cost mark was not sufficient and that the mission of the National Mediation Office should include working for increased income equality between men and women. In response to the seminar, the spokesperson for F! and chair of Kommunal wrote a debate article arguing that now was the time for the political parties to take action (in Swedish). Changing the so-called industrial norm has been a long-standing ambition of Kommunal, which raised the question repeatedly during 2014. Despite the debate, the cost mark retains strong support from employer associations and many unions. And so far no legislation has been introduced to widen the scope of the National Mediation Office's mission.

Description of the agreements

Austria

Name:		**Collective agreement of the metalworking industry**
Signatory parties	Trade unions:	The manufacturing union PRO-GE representing blue-collar workers and the Union of Salaried Employees, Graphical Workers and Journalists (GPA-djp) for white-collar workers
	Employer organisations:	Association of Austrian Machinery and Metalware Industries (FMMI) as a subsectoral organisation of the Federal Economic Chamber (WKO)

The metalworking sector traditionally starts the annual bargaining rounds. Due to the fact that the unionisation rate in the sector is comparatively high and thus the agreements reached are comparatively good from the employees' perspective, the agreements have been considered as setting a pattern for the rest of the economy. However, the negotiated increases are not automatically adopted by other sectors; they usually mark the highest wage increases of all sectors. In the 2012 bargaining round a decentralisation process took place, which was continued in 2013 and 2014. Instead of one communal set of negotiations in which all subsectoral employer organisations would participate as in previous years, the negotiations were split up into six different subsectoral negotiations. Up to now, however, the six agreements have resembled one another and the wage increases agreed upon were in the same range in all six subsectors in both years. To arrive at demanded wage increases, the unions apply the so-called Benya formula, according to which wage increases should fully compensate workers for inflation and grant them a significant share (half) of productivity growth. However, the compromise reached between the unions and the employer association(s) always lies well below that initial request. In practice, the inflation rate of the previous 12 months is taken as a starting point for negotiations.

Denmark

Name:		**Industry Agreement**
Signatory parties	Trade unions:	Central Organisation for Industrial Employees (CO-industri)
	Employer organisations:	Confederation of Danish Industries (DI)

The private sector is pace-setting in relation to the public sector. Within the private sector, the sectoral agreement in the manufacturing industry between the Confederation of Danish Industries (DI) and the Central Organisation for Industrial Employees (CO-industri) is pace-setting for the rest of the private sector. During the collective negotiations, this agreement is traditionally the first to be concluded. The agreement on wages will more or less be copied by the other sectoral agreements that follow. Expected inflation and the expectations of the development of the economy in general serve as an indicator which is used a basis for discussion on the amount of increases. The wage increases of the pace-setting agreement in 2014 were more or less copied by the other sectors, but not exceeded by any other sector.

Finland

<table>
<tr><td colspan="2">Name:</td><td>Collective agreement in technology sector (including metalworking)</td></tr>
<tr><td rowspan="2">Signatory parties</td><td>Trade unions:</td><td>Metalworkers' Union (Metalliliitto)</td></tr>
<tr><td>Employer organisations:</td><td>Federation of Finnish Technology Industries (Teknologiateollisuus)</td></tr>
</table>

The collective agreement in the technology sector (including metalworking) has traditionally been seen to act as a pace-setting agreement for other industry-level negotiations, and is usually the first agreement to be negotiated in the industry sector. It constitutes a benchmark for other sectors in the country. The current agreement falls within the strict scope of the current central-level agreement. Therefore, the pace-setting is less notable and this agreement serves as pace-setting in periods when there is no central agreement or if the central agreement gives a broader scope for wage setting.

According to the agreement, the appropriate pay rise will be negotiated locally at the workplace level, but if no local agreement is reached, the wage adjustments of the central agreement will apply. Usually both past and predicted inflation rates serve as a basis for discussion about the wage increase. Another key indicator is the growth of labour productivity.

Sweden

<table>
<tr><td colspan="2">Name:</td><td>Industrial Cooperation and Negotiation Agreement (in Swedish)</td></tr>
<tr><td rowspan="3">Signatory parties</td><td>Trade unions:</td><td>Forestry, Woodworking and Graphic Workers' Union (GS), Union of Metalworkers (IF Metall), Swedish Association of Graduate Engineers (Sveriges Ingenjörer), Unionen, Food Workers' Union (Livs)</td></tr>
<tr><td>Employer organisations:</td><td>Swedish Industrial and Chemical Employers' Association (IKEM), Swedish Forest Industries Federation (Skogsindustrierna), Steel and Metal Employers' Association (Stål och Metall), Association of Swedish Engineering Industries (Teknikföretagen), Swedish Building Material Industry (BÄF), Swedish Graphic Companies' Federation (GFF), Mining Employers' Association (SVEMIN), SVEMEK, Federation of Swedish Forestry and Agricultural Employers (SLA), Wood and Furniture Enterprises (TMF), Swedish Textile and Clothing Industries Association (TEKO), Swedish Food Federation (Livsmedelsföretagen)</td></tr>
<tr><td>Other:</td><td>Industrial council (Industrirådet): The council is formed by the signatory parties.</td></tr>
</table>

The purpose of the agreement is to enable the mutually advantageous development of Swedish industry by informally using the wage increase in the industrial sector as a cost mark for other sectors of the economy, taking into account inflation, employment, economic growth and international competitiveness. Concerning competitiveness, it is stated in the agreement that labour cost increases in the long term must be in accordance with international trends. The underlying logic is that the exposure of the industrial sector to international competition determines the overall capacity for wage increases in a small, open economy like Sweden. The agreement is open-ended with a six-month mutual notice period for termination for the signatory unions and employer associations. The parties set the cost mark every few years, presently from 2013 to 2016. The parties to the agreement undertake to promote the cost mark of the agreement to the wider labour market. This has generally been successful – though there is no guarantee that social partners in the other sectors will abide by the cost mark. The pace-making agreement is generally adopted in other sectors.

Increase and coverage

Table 6: Wage change agreed in pace-setting agreements and coverage of agreements in terms of employees

	Austria	Denmark*	Finland	Sweden**
Year				
2011	2.5%	1.26%	2.4%	1.8%
2012	4.2%	1.24%	1.9%	2.6%
2013	3.2%	1.36%	0%	2.0%
2014	2.8%	1.48%	Flat increase of €20 a month in case of no agreed local agreement by the latest 1 March 2014	2.1%
2015		1.58%	0.4% by the latest 1 March 2015	2.2%
Coverage	Approximately 120,000 employees are directly covered by the agreement.	240,000 employees are covered in manufacturing industry, a large part of the transport sector and some of the services sector. Most of the largest companies are covered by the agreement.	About 280,000 employees in the sector itself.	About 500,000 employees are directly covered by the pace-setting agreement (National Mediation Office).

*Notes: * The increases refer to periods from 1 March to 28 February. ** The increases refer to periods from 1 April to 31 March.*

Source: Eurofound's network of European correspondents

Wage developments in the public sector

Thirteen EU Member States reported wage change in the central public administration in 2014 (the wage change reported for Romania primarily concerns education). In Lithuania, salaries were restored to pre-crisis levels because the crisis-related reduction in pay was found unconstitutional. Croatian trade unions asked the constitutional court its opinion about unilateral change of pay conditions by the government. In Belgium, Cyprus, Greece, Italy and Luxembourg, no negotiations took place or no agreement was achieved on pay increases.

Other countries such as Ireland, Spain and Portugal reported pay freezes. The French pay freeze in central public administration was prolonged until 2017. Significant protests related to the setting of pay in the public sector were reported from Belgium, Hungary and Italy.

This section reports on pay developments in the public sector in 2014. Because the definition of 'public sector' differs across the Member States, the wage change that took place in the central public administration has been taken as a starting point. Information is given on whether this change also applied in other parts of the public sector. In cases where different parts of the central public administration recorded different wage changes, the wage change that affected the highest number of employees is reported on.

The pay determination in the central public administration (or broader public sector) is described in the following section. The countries are clustered into three broad groups based on the actors involved in the pay determination.

Pay determination in the public sector

Pay determination with significant participation of social partners

In **Austria**, there is a traditional informal practice of regular bargaining rounds with the unions. Even though these informal negotiations are not binding, the real influence of the public service unions is no less than that wielded by the private sector unions in the collective bargaining system.

In **Belgium**, social bargaining in the public sector is organised in so-called Consultation Committees, jointly composed of representatives of the government and representatives of the recognised trade unions (ACV Openbare Diensten – CSC Services Publics, ACOD-CGSP and VSOA-SLFP). The Common Committee for all Public Services (Committee A) is concerned with global social aspects, such as the wage indexation. It is legally required that changes in working conditions in the public sector be preceded by negotiations with the relevant trade unions.

In the **Czech Republic**, the increase in salaries was agreed by all unions representing public service employees and at the same time was agreed by the tripartite social partners. In its resolution of October 2014 (No. 224/2014 Coll.), the government decided to increase the salaries of state employees (civil servants, firefighters, police officers, soldiers, teachers, cultural workers, and workers in social services and healthcare who are paid from the state budget) by 3.5% from 1 November 2014. This was the highest increase in salaries of employees in the sector since the last increase in tariffs in 2009. The second resolution from December 2014 (No. 303/2015 Coll.) further increased the salaries of specific groups of state employees.

The determination of wages in the three **Danish** public sectors as a whole is based on collective bargaining. The three sectors are the state sector, the local government sector and the regional government sector. The Ministry of Finance plays an important role, as it determines the scope for wage increases. In this regard, collective bargaining in the public sector differs from collective bargaining in the private sector. The Minister of Finance is the formal chief negotiator on the employer side regarding collective bargaining in the state sector. It is a tradition that government officials and politicians do not get involved in the negotiations during the collective bargaining period.

In **Finland**, all employees in the civil sector are covered by collective agreements. Wages in the public sector are largely determined in the same way as in other sectors, through collective bargaining between unions and employer associations. Public sector bargaining takes place on both central government and local government level, where the main agreements are the collective agreement for central government (VTES) and the collective agreement for local government (KVTES). One exception from other sectoral-level bargaining is that the entry into force of the collective agreement for state civil servants requires government approval. If a collective agreement increases central government expenditure, the Finance Committee of the Parliament has to approve additional costs. The central income agreement concluded by the peak-level social partners also covers the public sector.

In **Hungary**, determination of wages in the public sector is fairly differentiated. A distinct wage-tariff system applies to civil servants (public, regional and local state administration). The wage-tariff scale determines the legally guaranteed minimum amounts. The trade unions usually negotiate about modifying the basis of the wage-tariff scales (which serves as a reference for all other categories) and about increasing the budgetary sources allocated in the given sector to overall salary increases. While consultation on public sector wages takes place in the framework of the National Public Service Interest Reconciliation Council (OKÉT), public sector trade unions may primarily attempt to conclude an agreement in their respective areas. The government has been inclined to agree on wage increases only in the parts of the public sector where it seemed to be unavoidable. The lowest category of the wage-tariff scale is not automatically connected to the statutory national minimum wages. With the gradual increase of the national minimum wages an increasing number of categories of public employees receive a salary determined by the national minimum wages rather than by the wage-tariff scale.

In **Lithuania**, remuneration for civil servants is regulated by Law No. VIII-1316 (in Lithuanian) on the Civil Service of the Republic of Lithuania. Government sets the base rates governing the salaries of civil servants, state officials, state politicians, judges and employees working under employment contracts in institutions financed by the state or municipal budget. However, the more active public sector trade unions may bargain for salary increases with the appropriate ministry. In 2014, trade unions operating in the cultural and police sectors were successful and some increase was agreed and set by the appropriate laws.

The determination of wages in the public sector in **Luxembourg** follows the general indexation and could be accompanied by wage increases, fixed in wage agreements between the government and the trade unions of the public administration. In 2014, there was a postponement of the wage increase but the employees negotiated to receive a one-off bonus of 0.9%.

In **Malta**, wages in the public sector are determined through a collective bargaining process involving the government and the relevant trade unions. The government has a Collective Bargaining Unit which is involved in negotiating collective agreements on behalf of the government. The unit was set up to assist in wage containment in the public sector, as part of the government’s policy to control public expenditure.

In the **Netherlands**, there are 14 agreements in the public sector, with different actors on the employer side, and in many cases the same actors (affiliates of the large federations) on the employee side, with additional branch-specific unions.

In **Slovenia**, the negotiations for public sector wages in 2014 between the government and the public sector trade unions started in early spring 2013 and finished in May 2013. The result of the negotiations was an agreement on additional measures in the field of wages and other labour costs in the public sector to balance public finances in the period from 1 June 2013 to 31 December 2014. Due to the signed agreement, some changes of the Public-Salary System Act and collective agreements for the various activities of the public sector were adopted (Official Gazette of the RS, No. 46/13).

In **Slovakia**, the public sector wages were determined by a multi-employer collective agreement concluded for civil service employees for 2014.

In **Spain**, the structure of collective bargaining for civil servants distinguishes between three different levels according to territorial criteria (the general level, the level of the autonomous communities, and the local level). Furthermore, two other levels are distinguished according to the functional perspective (the general level and the sectoral level). This system gives prevalence to the general level over the regional and local level, and to the general level over the sectoral level.

In **Sweden**, wages in the public sector are determined in the same way as in other sectors – through collective bargaining between unions and employer associations. In the collective bargaining process, the government is represented by the Swedish Agency for Government Employers (SAGE), while blue-collar workers are represented by the Swedish Union for Service and Communications Employees (SEKO), white-collar workers by the Public Employees' Negotiation Council (OFR) and professionals and academics by the Swedish Confederation of Professional Associations-S (SACO-S). Both OFR and SACO-S are negotiation organisations that unite a number of different unions within their respective domain.

In the **UK**, pay determination arrangements vary widely across the public sector. Pay for around 2.5 million public employees (for example, nurses, doctors, dentists, school teachers, police and armed forces) is determined by the government, based on the recommendations of independent pay review bodies. In the civil service (around 440,000 employees), pay is set by collective bargaining at the level of individual government departments, agencies and non-departmental bodies, though conducted within the framework of central government guidance and subject to government approval. In local government (around 1.8 million employees), national-level collective bargaining plays the main role in pay determination.

Pay determination by government

In **Bulgaria**, wages in the public sector are determined by the Ordinance for the salaries for the state employees (in Bulgarian). In mid-2012, a new classification of positions, new performance-related pay (comparable to that in the private sector) and new rules for the appraisal of results were introduced for central public administration employees and some changes were announced relating to the flexibilisation of working time and paid leave.

The **Latvian** Law on Remuneration of Officials and Employees of State and Local Government Authorities determines maximum wage levels. The Ministry of Finance, in cooperation with the State Chancellery, proposes wage levels which are adopted by the government after discussion. The proposal is submitted for adoption to the parliament. After that the regulations are amended.

Wages in the public sector in **Poland** are set annually by the government in the Budget Act. Since 2009, wages have been frozen as a result of the decision to control the state deficit.

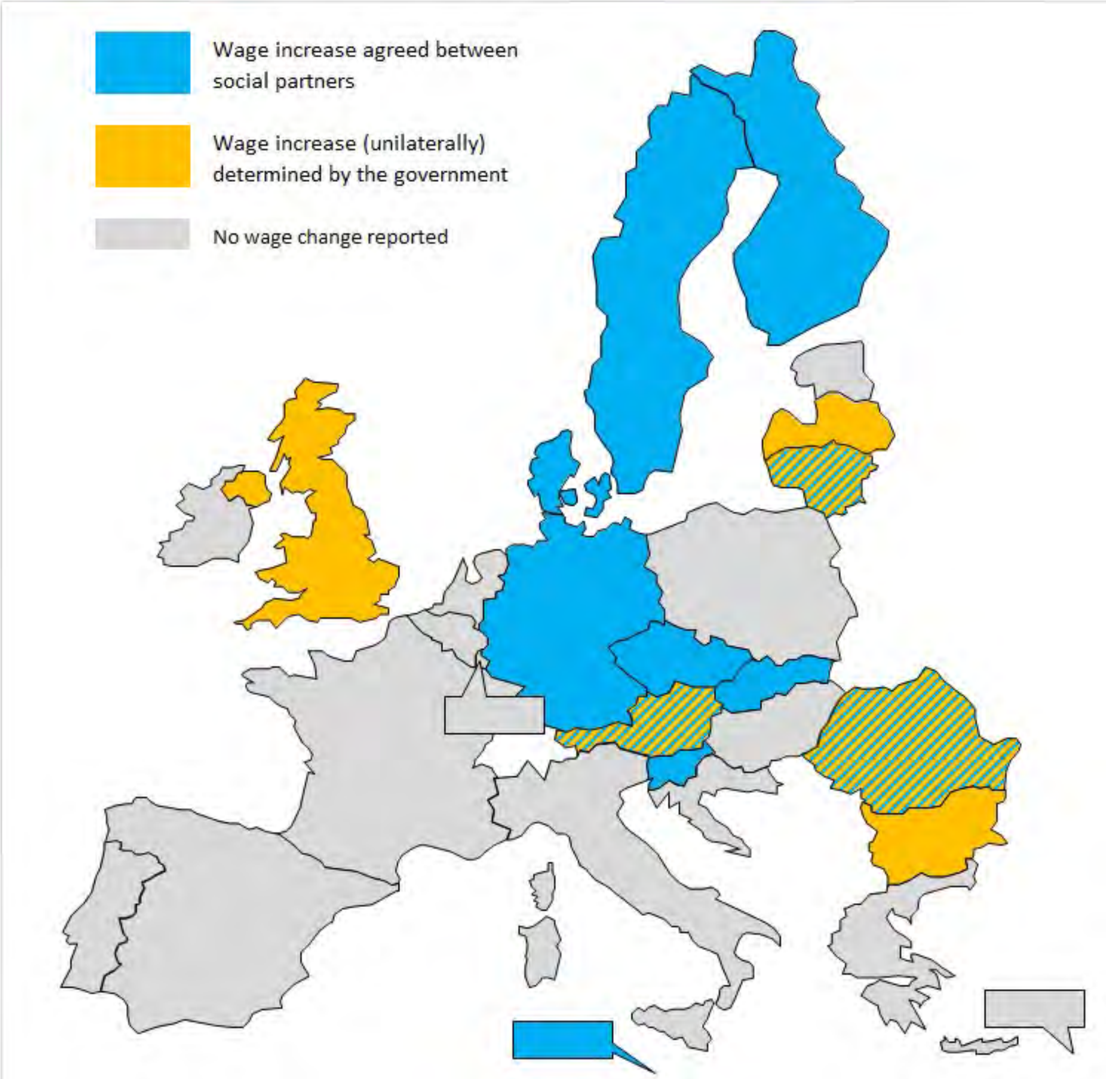
Other forms of pay determination

Since 2011, changes in terms and conditions of employment for those working in the **Cypriot** central public administration have been imposed by the enactment of specialised legislation without the consent of the trade unions, as a result of European economic governance. Also in 2014, there was no collective agreement in place in the sector.

In **Greece**, the salaries of public sector employees are set by act of government after mandatory consultation between the government and the relevant trade union organisations (Civil Servants' Confederation, ADEDY). In the past five years, the government has set salaries unilaterally through legislation, in the framework of the country's loan agreements. The agreements foresee drastic cuts in the overall expenditure on salaries in the public sector. In this context, Law 4024/2011 was passed, inaugurating a new unitary pay system for public sector employees. This system classifies public sector employees according to educational level and years of service in the public sector. The law drastically reduced wages and various allowances for all public sector employees, cutting up to 40% of previously existing wage levels, according to an estimation by ADEDY. The Ministry of Interior and Administrative Reconstruction issued a report providing more detail on the new pay structure in the public sector.

As a consequence of statutory provisions establishing a wage freeze in the public sector in **Italy**, national-level negotiations concerning wage levels in the public administration did not take place in 2014, whereas negotiations taking place at local or single-employer level could not result in substantial wage increases.

Figure 1: Wage increases in public sector in 2014 and their determination



Source: Eurofound's network of European correspondents

Table 7: How final wage increase in public sector was brought into effect in 2014

Country	Law/decree	Agreement between social partners	Name
AT	Y		Amendment to the Law on Salaries (Gehaltsgesetz 1956)
BG	Y		Change of Government Decree No. 86/2010
CY	Y		Law 185(I)/2012 (in Greek, 465 KB PDF) on the non-grant of salaries, wages and pensions for those employed in the public and the semi-public sector Law 168(I)/2012 (in Greek, 535 KB PDF) on the reduction of salaries, wages and pensions for those employed in the public and the semi-public sector
CZ	Y		Government resolution No. 564/2006 Coll. was amended by resolutions No. 224/2014 effective from 1 November 2014 (state employees) and No. 303/2014 Coll. effective from 1 January 2015 (police officers and firefighters).
DE		Y	Collective agreement for the public sector (Tarifvertrag für den Öffentlichen Dienst)
DK		Y	Agreement between the Ministry of Finance and the Joint Committee of the Danish Central Federation of State Employees' Organisations
ES	Y		General Law 22/2013 of 2014 State Public Budget
FI		Y	Collective Agreement for Central Government 2014–2017
LT	Y		Law on Civil Service No. VIII-1316 (in Lithuanian) LRV's Resolutions No. 511 (in Lithuanian) and No. 1023 (in Lithuanian) Order No. ĮV-388 (in Lithuanian) of the Minister for Culture of the Republic of Lithuania Order No. A1-93 (in Lithuanian) of the Minister for Social Security and Labour of the Republic of Lithuania
LV	Y		Amendments in the Law On Remuneration of Officials and Employees of State and Local Government Authorities valid since 1 January 2014.
MT		Y	Collective agreement for employees in the public service
NL		Y	CAO gemeenteambtenaren, a collective agreement covering about 165,000 local civil servants
PL	Y		The Budget Act and the Act dated 13 February

			2009 on setting the wages in the state budget sector (in Polish)
PT	Y		Law 83-C/2013 (Law on state budget for 2014) and the Memorandum of Understanding (2011) stipulated that the Portuguese government will freeze wages in the government sector in nominal terms in 2012 and 2013 and constrain promotions. This stipulation was never lifted.
RO	Y		Government Emergency Ordinance No. 103/2013 and its Amendment, published in Official Gazette on 15 November 2013 Law No. 28/2014 published in Official Gazette on 21 March 2014, for approving the Government Emergency Ordinance No. 103/2013
SE		Y	RALS SEKO 2013–2016 (in Swedish, 261 KB PDF) RALS OFR 2013–2016 (in Swedish, 193 KB PDF) RALS Saco-S 2010-T (in Swedish, 490 KB PDF)
SI	Y	Y	Decree/regulation: Act amending Public-Sector Salary System Act (Official Gazette of the RS, No. 46/13) Agreement between social partners: Agreement on additional measures in the field of wages and other labour costs in the public sector to balance public finances in the period from 1 June 2013 to 31 December 2014 (Official Gazette of the RS, No. 46/13)
SK		Y	Multi-employer collective agreement for civil service for 2014
UK			Following the failure of pay bargaining, the Department for Work and Pensions (DWP) imposed the pay increase unilaterally. No specific legal document was required to bring the increase into effect. Ministers have the authority to approve pay awards for civil servants, consistent with the government's civil service pay guidance, without the need for any specific legal act.

Source: Eurofound's network of European correspondents

Wage change and its coverage

The wage change across the central public administration (and depending on country, also other parts of the public sector) is discussed below.

Countries reporting wage change

In **Austria**, after the pay freeze in 2013 the government and the public service union (GÖD) negotiated a wage increase for two years. The deal consisted of a moderate wage increase in

2014. The average increase was 1.9%, which was lower than the inflation rate of 2.3%. Only the lowest wage groups achieved a higher increase of 2.5%. Furthermore, inflation compensation (0.1%) was agreed for 2015 (from 1 March 2015 to 31 December 2015). Both unions and government expressed their satisfaction with the agreement.

German trade unions argued in favour of a significant increase in public sector wages to keep public employment attractive and to honour the importance of public services. They highlighted that wage increases in the public sector had been on average behind those in other sectors of the economy. However, the public employers pointed to budget restraints.

Due to the financial and demographic challenges that the **Finnish** public sector is facing, there have been some discussions on the size of the public sector and productivity in the sector. To some extent the debate has also covered the gap between public and private sector wages, where central government wages have increased more rapidly than those in the local government and private sector. However, the differences are explained by variances in the structure of the personnel in the different sectors. Because of developments in the central government sector, where functions employing manual and lower-level employees have been outsourced, central government has a larger share of expert-level employees than the other sectors.

In **Latvia**, changes were made to the salary determination as of January 2014, establishing a scale of monthly salaries consisting of 16 groups and 3 categories. The category is determined on the basis of individual performance and professional experience. In connection with the decision to increase the minimum wage from January 2014, the wages were increased, taking into account the new minimum wage level. Monthly salaries were also equalised to reduce the differences between monthly salaries of employees doing similar jobs. The increase in wages in the public sector was discussed rather neutrally in the media. The wage increase in the public sector was overshadowed by announcements that the State Chancellery proposed wide human resources (HR) reforms in the state sector. There were some voices that cast doubt on the rationality of wage increases in the public sector, yet the general opinion was that people in the state sector need to be adequately paid to reduce staff turnover.

In September 2013, **Lithuania**'s parliament announced it would scrap the reduced salary coefficients and qualification-class bonuses to civil servants that had been introduced during the financial and economic crisis. The decision was in accordance with the ruling of the Constitutional Court of 1 July 2013 that reductions were anti-constitutional. The first wave of the restoration started in October 2013 and the second one (due to limited resources) in January 2014. Sharp debates took place in 2014 between representatives of trade unions and the government about salary rises for budgetary employees. Trade union representatives complained that salaries were raised for civil servants in top-graded posts, whereas salaries remained almost the same (article in Lithuanian) for employees in the lowest category (such as teachers (in Lithuanian), police officers). The social partners also discussed a reform of remuneration of civil servants proposed by the Civil Service Department. According to the proposal, civil servants would be categorised by competences required for their work. The proposal was opposed by the National Association of Trade Unions of Officers (NPPSS). Finally, a reform of the remuneration system for statutory officials (in Lithuanian) was discussed in 2014.

The **Polish** government announced the Multiannual Financial Plan for 2014–2017, according to which wages in the public sector will be frozen until as late as the end of 2016. This decision has encountered weak opposition from trade unions and the Civil Service Council. The base wage in the civil service has not changed since 2009, when wages in the civil service were frozen.

In **Slovakia**, the main discussion was about the level of wage increases. The trade unions demanded a wage increase for 2014 because in 2013 no wage increase had been agreed in the collective agreement. The government – combating the public budget debt – proposed a moderate flat rate of €16 per civil servant per month. The trade unions accepted this proposal.

In **Slovenia**, the gross wage per employee rose slightly in nominal terms in 2014 for general government workers, after a wage freeze in 2010 and 2011 and wage cuts in 2012 and 2013. The negotiations on wages for 2015 were postponed from spring 2014 to autumn 2014 due to early parliamentary elections. A new agreement was signed in December 2014 by the government and the majority of the public sector trade unions extending most of the existing austerity measures for another year, until the end of 2015. Both sides emerged satisfied with the outcome of the negotiations.

The main wage-setting debate in **Sweden** concerned closing the gender wage gap, as described in the section on pace-setting agreements above.

In the **UK**, the government's policy of capping public sector pay increases at 1% a year over 2013–2015, following several years of pay freezes, was strongly opposed by the trade unions. The government argued that the pay cap was necessary to reduce the public deficit. Trade unions responded with industrial action in various parts of the public sector during 2014, calling for substantial pay increases. The Trades Union Congress (TUC) claimed that pay freezes and pay restraint since 2010 had left public sector workers on average worse off by GBP 2,245 (€3,167 as at 15 July 2015) in real terms, and that the government's approach to public sector pay impacted the spending power of almost six million households with at least one family member working in the public sector.

Table 8 presents an overview of the increases in the central public administration in 2013 and 2014 as reported by Eurofound's network of European correspondents. Given the fact that the increases in the central public administration are often linked with increases in the broader public sector, the table specifies which parts of the public sector have been affected by the reported increases. It should be borne in mind that this table is not a full overview of wage increases in the public sector. For example, a wage increase that is effective only at municipal level and does not affect the central public administration (CPA) will not be reported.

Table 8: Wage change in central public administration (or related increases in public sector) in EU Member States, 2013 and 2014

	Nominal charge	Coverage of reported increases									Comments
		CPA	Cen gov	Reg gov	Loc gov	Stat e	Forc es	Edu	Heal th	Othe r	
AT	On average 1.9% increase as of 1 March 2014	Y	Y	Y	Y	N	Y	Y	Y		Between 1 March 2013 and 28 February 2014 there was a pay freeze. Reported change affects about 342,000 employees.
BG	As of 1 January 2014: 10% wage increase in the Ministry of Interior and the State Agency Technical operations (civil servants and employees); 5% wage increase in the Directorates 'Security' and 'Execution of Punishments' at Ministry of Justice (civil servants and employees);	Y	N	N	N	N	Y	N	N		The increases apply only to indicated categories of employees.

	3% for civilian employees under labour contracts that are not covered by the Administration Act and the Civil Servants Act, Ministry of Defence.										
CZ	As of 1 November 2014: 3.5% increase for state employees; As of 1 January 2015: 1.5% increase for police officers and firefighters, 5% increase for doctors and other healthcare workers whose salaries are funded from health insurance, 4% increase for employees of social services.	Y	Y	N	N	N	Y	Y	Y	Y	The increase also covers administrative workers in research and development and workers in the cultural sector. About 300,000 employees were affected by each of the reported increases.
DE	3.5% increase as of 1 March 2012; 1.4% increase as of 1 January 2013; 1.4% increase as of 1 August 2013; 3.4% increase as of 1 March 2014; 2.4% increase as of 1 March 2015	Y	Y	N	Y	N	N	N	Y		In healthcare only municipal hospitals are covered
DK	1.1% increase as of 1 April 2013	Y	Y	N	N	Y	Y	N	N		The wage agreement in the central public sector is the pace-setter for the entire public sector. Although the increases in the regional and local government sectors are negotiated separately, they seldom deviate from the increases in the central state sector. In the central state sector, around 185,000 employees are affected by the agreement.
FI	Flat increase of €20 per month as of 1 August 2014; 0.4% increase as of 1 August 2015	Y	Y	Y	N	N	N	N	N		The general agreement for the central government sector covers around 86,000 employees in central public administration. Under the general agreements, there are several agency-specific collective bargaining

											agreements.
LT	Restoration of salaries to pre-crisis levels in two waves (from October 2013 and January 2014)	Y	Y	Y	Y	N	N	N	N		Data on the extent of the nominal change are not available. During two waves of increases (from 1 October 2013 and 1 January 2014), wages and salaries increased for about 60,000 civil servants and judges.
LV	7.5% increase when comparing Q4 2013 to Q4 2012; 8.6% increase when comparing Q3 2014 to Q3 2013	Y	N	N	N	N	N	N	N		About 57,500 employees affected by the increases.
MT	2.5% as of 1 January 2013; 2.5% as of 1 January 2014	Y	N	N	Y	N	Y	Y	Y		Estimated coverage of about 30,000 with all those working in the public sector covered. All healthcare professionals in the public sector are covered except for medical doctors.
RO	Up to 10% increase in the basic wage, 10% increase in benefits and allowances not included in the basic salary. Doctors and pharmacy residents with a gross monthly salary of less than RON 3,000 receive a RON 670 monthly grant (€150). Local elected officials benefit from different salary increases since 1 July 2014 ranging between 1.4% and 50.1%.	Y	N	N	Y	N	N	Y	Y		Valid from 21 March 2014 and applying to about 35,400 professors, newly qualified teachers in pre-academic and academic public institutions and about 14,800 doctors and pharmacy residents.
SE	Minimum wage increase of 2% as of 1 October 2013 (valid only if no local agreement has been reached) Minimum wage increase of 2.3% as of 1 October 2014 (valid only if no local agreement has been	Y	Y	N	N	N	Y	Y	Y	Y	In total, 240,000 employees are covered (according to Statistics Sweden). The entire state sector is covered by collective bargaining. The number includes armed forces, police, custom officials

	achieved)										and related parts of education and healthcare (most of the healthcare sector and the bulk of the education sector are a municipal or county affair, and are hence not included).
SI	Gross wage was cut on average by 1.3% as of 1 June 2013. The salaries will not be restored at least until 31 December 2015. Selected bonuses and allowances were cut from 1 June 2013 for an indefinite period. As of 1 April 2014, the suspended promotions of public servants from 2011 and 2012 (with effect on average gross wage of about 2%) were disbursed.	Y	Y	Y	Y	N	Y	Y	Y		In the Slovenian general government sector, there are around 156,000 employees (around one quarter of all employed by legal persons in Slovenia; Source Statistical Office of the Republic of Slovenia).
SK	Flat increase of €16 per month as of 1 January 2014	Y	Y	N	N	N	Y	N	N		About 40,000 employees are covered.
UK	1% as of 1 July 2013	Y	N	N	N	N	N	N	N	N	Pay determination differs across the public sector. In central public administration, collective bargaining is mainly conducted at the level of individual departments, agencies and non-departmental bodies.

Notes: Key to sectors: CPA = Central public administration; Cen. gov. = Central government; Reg. gov. = Regional government; Loc. gov.= Local government; Forces = Armed forces; Edu. = Education; Health = Healthcare.

Source: Eurofound's network of European correspondents

Countries reporting no wage changes

In **Belgium**, intersectoral bargaining should be held every two years between social partners serving on a consultation committee for public services. However, since 2009, those negotiations have not led to an agreement for the whole public sector. The negotiations for the period 2013–2014 collapsed without achieving an agreement. As a consequence, the most important form of pay increase is the automatic indexation of the wages to the price evolution. The failure to apply a 2% wage increase that should have been triggered by the automatic wage index mechanism (the so-called index jump) also affected wages in the public sector, which caused heated discussions and protest actions.

Due to negative economic growth and the lack of budget resources, the indexation of salaries was postponed and there was no wage increase in 2014 in the **Croatian** public sector (see annexes of Collective Agreement for State Employees (in Croatian) and Basic Collective Agreement for Public Servants in the Public Service, OG 150/13). Some supplements and bonuses were decreased or withheld. In December 2014, the government adopted Regulation OG 41/14 extending the denial of wage increases based on actual years of service by three months, until 31 March 2015. This applies to 170,000 public and state servants. Trade unions in 2014 demanded a ruling from the Constitutional Court because the mentioned right is stipulated by the collective agreements and cannot be cancelled by the unilateral decision of the government. The Court is still deliberating on this.

In **Cyprus**, based on commitments under all four priority areas of the EuroPlus Pact, a policy of containment of public sector wages has been put forward. The most important measures directly affecting the wages of those employed in the public and the semi-public sectors of the economy, including employees of the CPA are the following:

- A total freeze of wages, salaries and pensions for a period of four years from 1 January 2013 to 31 December 2016 (Law 185(I)/2012).
- A total freeze of the COLA for a period of five years from 1 January 2012 until 31 December 2016 (Law 185(I)/ 2012).
- Reduction on gross monthly earnings of wages, salaries and pensions, initially for a period of two years from 1 December 2012 to 31 December 2014 (Law 168(I)/2012). The reductions are displayed in Table 9.
- According to the provisions of Law 168(I)/2012 from 1 January 2014 a further decrease of 3% has also applied to gross monthly earnings of wages, salaries and pensions irrespective of the level of the amount.

Table 9: Reduction of gross monthly earnings of wages, salaries and pensions

Monthly gross earnings	% of contribution
0–€1,000	0%
€1,001–€1,500	6.5%
€1,501–€2,000	8.5%
€2,001–€3,000	9.5%
€3,001–€4,000	11.5%
> €4,001	12.5%

Source: Law 185(I)/2011

According to the International Monetary Fund (IMF) concluding report for Cyprus that was released in July 2014, an additional fiscal effort of a permanent nature will be required to bring public debt down to around 100% of GDP by 2020. The report caused strong reactions from both public and private sector trade unions.

In **France**, there has been a pay freeze in central public administration since 2010, that has been extended to the end of the current election period in 2017.

In **Greece**, there was strong disagreement between the government and organisations of public sector employees regarding the government's intention to review the existing unitary pay system with implementation beginning in 2015 or 2016. The aim of the new pay system is to reduce significant differences in the salaries of employees of the same educational level working in different areas of the public sector. At the same time, it was decided to implement a two-year trial recruitment of new employees in the public sector with an initially probationary salary, which is expected to be the basic private sector salary. Only those deemed suitable will be hired as normal on a public sector salary. Finally, according to the government's plan, there will be a performance bonus based on the new evaluation system which will be implemented from the start of the year. The public sector union confederation ADEDY strongly opposes the government's plan, believing it will lead to new pay cuts for public sector employees. However, the issue of the new pay system and evaluation of public sector employees remains open after the change of government at the January 2015 general election.

In **Hungary**, there were no changes in the wage scale for civil servants in 2013 and 2014. However, various wage increases took place in education, healthcare, armed forces and social work activities. The determination of wages for 2014 in the public sector was accompanied by many protests, street rallies and general discontent. These demonstrations did not achieve any substantive results. The trade unions did not succeed in their efforts to modify the wage-tariff system and to increase the salaries determined in its scope. In some cases, trade unions even had to negotiate again about pay rises agreed with the government earlier.

In **Ireland**, there was a pay freeze in place in the public sector in 2014 under the collectively bargained Public Service Stability Agreement 2013–2016 (also known as the Haddington Road Agreement). Following Ireland's economic recovery and exit from the Troika bailout, union leaders in the public sector stated that they would begin seeking pay increases for their members. In the public sector, the general position was that if the government meets the deficit target of 3% in 2014, then the Irish Congress of Trade Unions (Congress) may lodge a pay claim in 2015. In October 2014, the Minister for Public Expenditure and Reform indicated that a new agreement may signal the start of a new era beyond pay cuts.

The **Italian** government disclosed its intention to extend the freeze of wages and of collective bargaining for 2015 by means of the so-called 'Stability Law' (Law No. 190 of 23 December 2014), stating that there are no resources available at the moment to increase wage levels, and that the €80 tax credit introduced by the government for middle-low income workers in 2014 and confirmed by Law No. 193/2014 also applies to public employees. The trade unions criticised the prorogation of the wage freeze by calling for strikes and demonstrations. The Italian General Confederation of Labour (CGIL), the Italian Confederation of Workers' Unions (CISL) and the Union of Italian Workers (UIL) filed a complaint with the Tribunal of Rome, calling for a declaration of unconstitutionality by the Constitutional Court of measures freezing negotiations and wages. The Stability Law eventually confirmed the freeze of national collective bargaining for 2015, partially extended for 2015 the freeze of wages (allowing increases due to career progression) and unblocked resources for second-level collective bargaining.

In **Luxembourg**, the increase of 2.2% envisaged for 2013 was reported to have been pushed back (in French) to 1 January 2015. The increase was postponed because of the crisis after negotiations between the trade union of public sector employees and the government. In 2014, public sector employees negotiated a one-off bonus of 0.9% (in French, 1.1 MB PDF).

In the **Netherlands**, officially there was a wage freeze in the public sector until the end of 2014. The unions were strongly opposed to the wage freeze and there have been several strikes among civil servants against the freeze. However, negotiations remain extremely difficult. Statistics Netherlands reported an increase of 0.1%, but this was not achieved through bargaining followed by an agreement. The only exception was an agreement among local civil servants, with an increase of 1% as of 1 October 2014.

The **Portuguese** government insisted on maintaining the wage freeze while the trade unions demanded with a growing urgency a wage increase. The parties did not arrive at an agreement.

In **Spain**, there have not been relevant debates, as salary increases were determined by Public Authorities in State Public Budget Laws. The Spanish government has kept the salary freeze for civil servants since 2010 and it has been approved also for 2015. Trade unions have asked Public Authorities to increase salaries, but they argue that the crisis makes it necessary to keep wage restraint. All employees in the Spanish public sector are covered by the wage freeze.

Annex 1: Country codes

Country	Code
Austria	AT
Belgium	BE
Bulgaria	BG
Croatia	HR
Cyprus	CY
Czech Republic	CZ
Denmark	DK
Estonia	EE
Finland	FI
France	FR
Germany	DE
Greece	EL
Hungary	HU
Italy	IT
Ireland	IE
Latvia	LV
Lithuania	LT
Luxembourg	LU
Malta	MT
Netherlands	NL
Norway	NO
Poland	PL
Portugal	PT
Romania	RO
Slovakia	SK
Slovenia	SI
Spain	ES
Sweden	SE
United Kingdom	UK

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