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Onderwerp: ETUC sees six reasons why wages are no threat to inflation

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Over the past few weeks, the European Central Bank (ECB) has systematically warned against wage developments translating high inflation and tight labour markets into an inflationary wage-price spiral. The European Trade Union Confederation (ETUC) finds overwhelming evidence to the contrary: neither ongoing wage bargaining nor expected wage trends will trigger inflationary second-round effects. Hiking interest rates to combat imaginary wage inflation is therefore a serious mistake and risks intensifying the economic slowdown and the financial crisis.



European Trade Union Confederation [ETUC]
 Confédération européenne des syndicats [CES]

The ECB's fears of inflationary wage developments are misguided. Here are six reasons why:

Many collective agreements [1] already cover the year 2009 and have fixed a wage increase of around 3%. This rate of growth is more than compatible with the ECB's price stability objective.

In the euro area, there is a strong tradition for negotiators engaged in collective bargaining to coordinate with each other. The 3% wage increase for 2009 resulting from the agreements concluded recently will therefore be taken as a reference in the collective bargaining rounds held before the end of 2008.

In addition, and again owing to the tradition of coordination of collective bargaining, negotiators will look at the total picture and will take into account the economic situation and the need to avoid inflationary wage-price spirals.

The existence of automatic wage indexing mechanisms is limited to 17% of the euro area work force. Where such mechanisms exist, they are embedded in a bargaining framework based on the need for overall wage growth to respect price stability.

The share of firms in the euro area reporting a lack of skilled labour is low and declining. The percentage dropped from 7.6% in the previous quarter to 7.3% this quarter.

An economic slowdown, an overvalued currency, a credit squeeze and an unwinding housing boom hardly constitute a basis for wage growth to continue to accelerate.

Says John Monks, ETUC General Secretary: "The ECB's concerns on wages are unfounded and dangerous. The ETUC calls upon the ECB to stop using wages as an alibi to hike interest rates."

[Wage developments do not warrant a hike in interest rates , ETUC collective bargaining information bulletin 2008/3](#)

[1] German chemicals, Italian metal, German public sector, to name a few.

The ETUC exists to speak with a single voice, on behalf of the common interests of workers, at European level. Founded in 1973, it now represents 82 trade union organisations in 36 European countries, plus 12 industry-based federations.

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