National Competitiveness Boards

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In a direct follow-up of the so-called "Five Presidents' Report" (Presidents of the ECB, Eurogroup, European Commission, Council and Parliament), the European Commission adopted on 21 October 2015 a Recommendation for a Council Recommendation requiring euro area member states to establish national Competitiveness Boards (NCBs). At the level of each (euro area) member state, these boards aim to:

a) monitor competitiveness developments relating to global competitors (including labour costs).
b) inform the wage-setting process by providing relevant information.
c) monitor policies and formulate policy advice in the field of competitiveness.
d) provide advice on the implementation of the Country Specific Recommendations.

IndustriAll Europe takes note of the fact that this Recommendation does not go as far as the original "Five Presidents' Report", insofar as it no longer calls these NCBs 'Competitiveness Authorities, and their mandate is now to "inform" and "provide" relevant information to wage-setting processes. They would nonetheless be entitled to formulate policy advice, taking into account the broader euro area and EU dimension.

Another noticeable shift is that (labour cost) comparisons concern 'global' competitors (in the short run) and not the other euro area countries.

Although in the past industriAll Europe called for economic governance as a necessary step for the further development of the EU, we were never happy with how the economic governance was established. Over the past few years we have seen a substantial reinforcement of the system, with a multitude of instruments at its disposal e.g. Fiscal Compact (controlling the draft budgetary plans) and the excessive macroeconomic imbalance procedure. Nevertheless, what is totally lacking in all of this is the social pillar.

The introduction today of these NCBs is a further step towards upsetting and destabilising an already unbalanced economic governance system by addressing the wrong issue.

Wages and labour costs are but one item in a long list of factors influencing competitiveness, and certainly not the most important one. What really drives competitiveness, as was demonstrated by recent IMF work, are innovation, quality products and services, research and development, education and training, availability of good public infrastructure and networks. Moreover, it can be shown that competitiveness and productivity rise in countries where strong social dialogue, industrial relations, social protection and cohesion are in place.

This is even more valid when, as is the case of the Commission's Recommendation, global competition is concerned. Europe and its Member States cannot compete with low-wage countries and emerging economies such as China by cutting wages. It is even more of an illusion to use wage policy as a substitute for exchange rate policy to offset appreciation of the euro exchange rate. This only results in depressed domestic demand and deflation danger.

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Wage-setting systems and social dialogue do not need meddlers or controllers

The Commission says it does not intend to intervene in wage-setting systems, but its Recommendation on NCBs at the same time provides a possible basis for doing so anyway, in the near future.

The Commission's insistence on the fact that NCBs need to be statutory and grounded in national law is significant, as it points to a legalistic approach to wage-setting systems and to wage competitiveness. From there we are only a hair's breadth away from setting maximum wage standards for collective bargaining that are legally binding, or from questioning the validity of strike action related to bargaining outside the wage standards set by the Competitiveness Board or to any agreements that go beyond the scope of what the NCBs have "proposed".

Really disturbing is also the fact that the Commission has already stated that its future progress report intends to see *"whether the adoption of binding provisions appears necessary"*.

IndustriAll Europe notes further that many (euro area) member states already have their own monitoring boards and information institutions which would be influenced and changed by this Council Recommendation. Moreover, numerous institutions already exist that give the usual mainstream policy advice on wages to member states, such as the IMF, OECD, European Commission, and the ECB. More than enough...

IndustriAll Europe does NOT accept any institution interfering with the autonomy of the social partners and therefore totally rejects the concept and introduction of these National Competitiveness Boards.

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