



Protection of wages in the envisaged unified Cyprus

Nicosia, 10 July 2015

Frank Hoffer, Bureau for Workers' Activities



Main Points

Wage setting institutions

- Promotion of collective bargaining and extension of collective bargaining agreements C. 87 and 98
- Minimum wages C. 131
- Unemployment benefits and social transfers (C 102, R 202)

Legal protection of wages

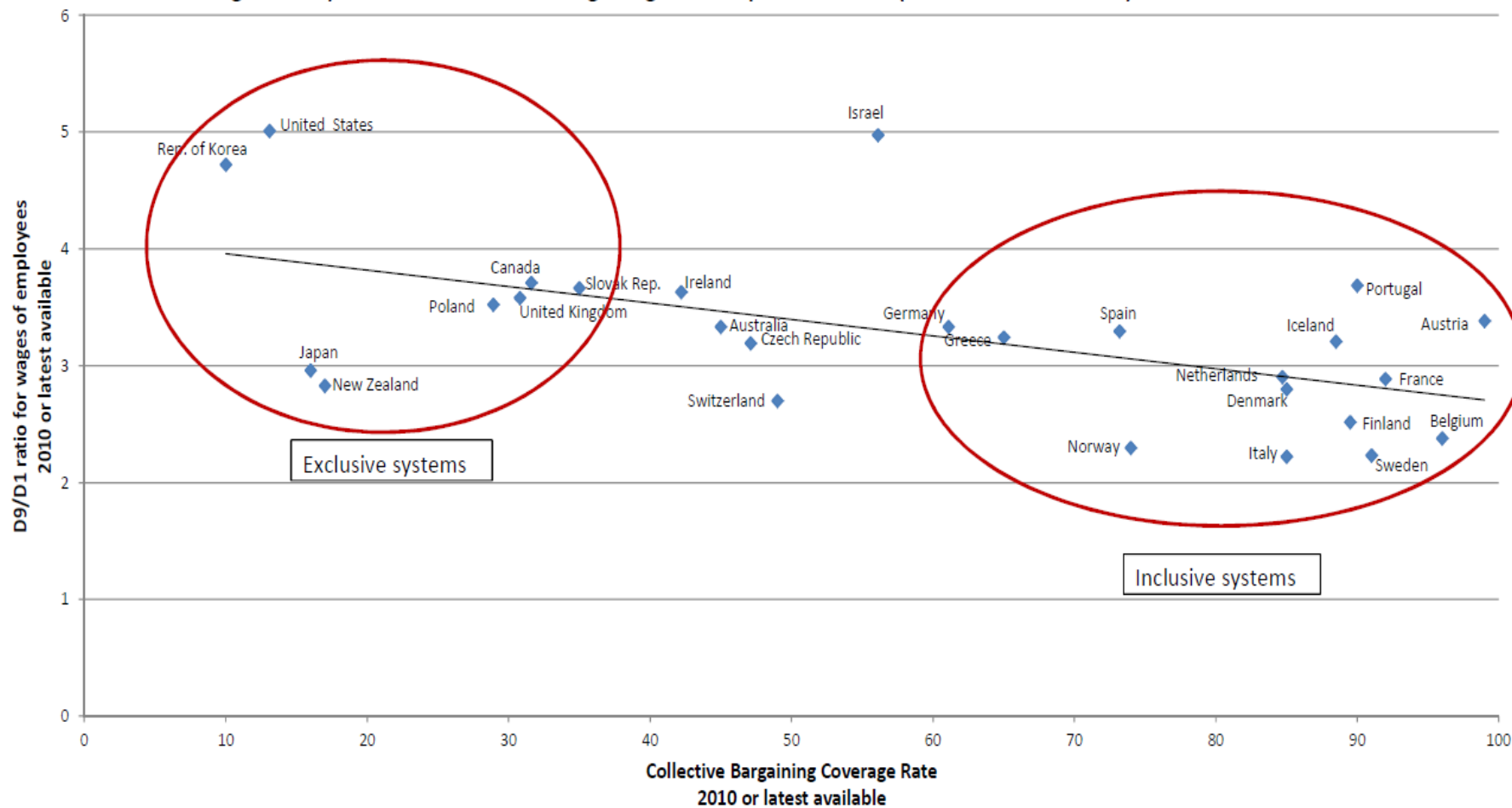
- Protection of wages C. 95
- Protection of workers' claims C. 173
- Labour clauses in public contracts C. 94
- Access to legal protection
 - Trade Union representation in courts
 - Free legal recourse
 - Chamber of Labour

Collective bargaining

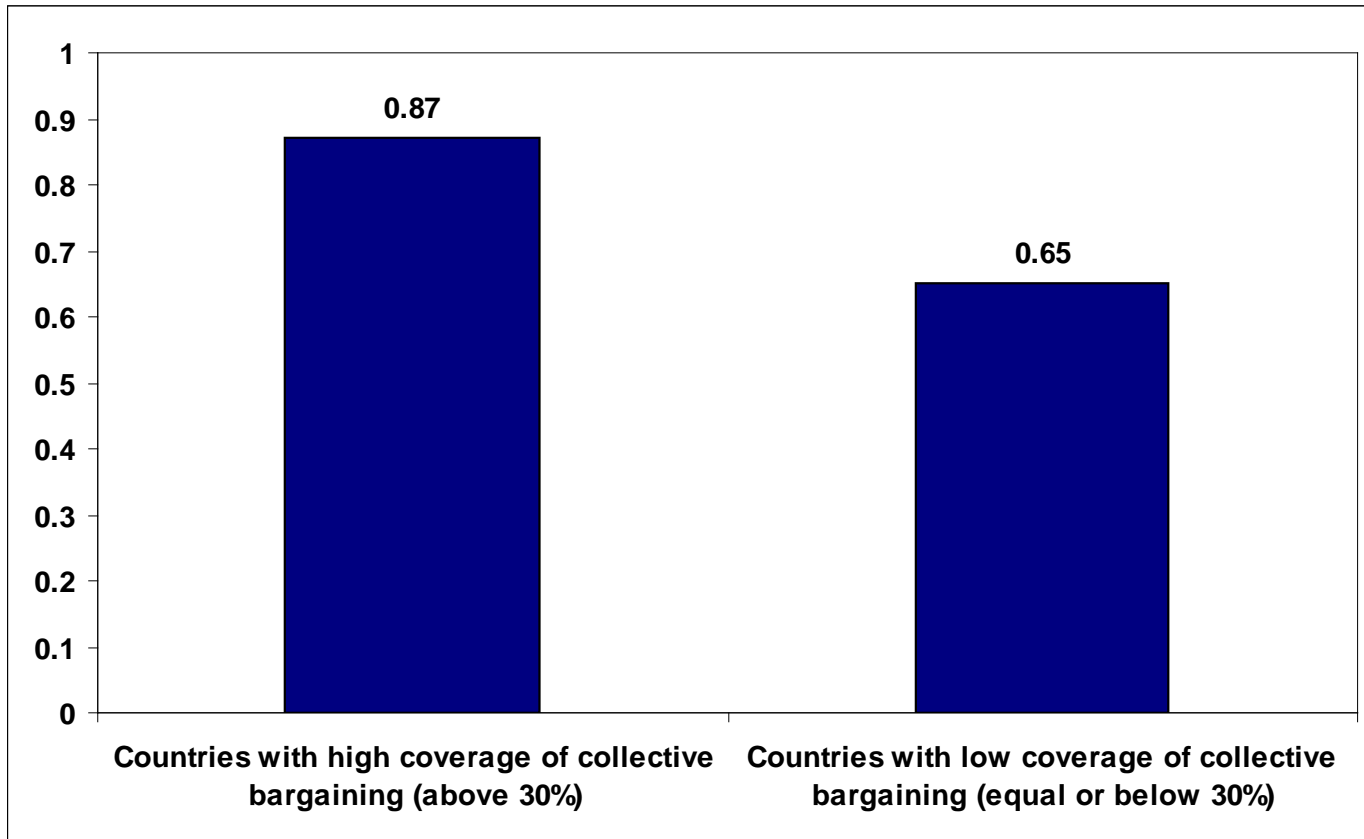
- Raises wage floors and compresses wage structure
- Standardizes wage rates and reduces discretionary wage-setting practices
- Inclusive collective bargaining structures:
 - High degree of coordination, high collective bargaining coverage, centralized bargaining structures generalize the equalizing effect
- Centralization of collective bargaining reduced wage inequality
- No evidence that equalizing effect at cost of employment (OECD, 2006 review of 17 studies)

Collective bargaining institutions matter for distribution

Figure 5: D9/D1 ratio and collective bargaining in developed economies (2010 or latest available)



Wage responsiveness to growth is higher in countries with higher collective bargaining coverage 1995/2007



Policy response to the recession 1930s

“I regard the growth of wage bargaining as essential. I approve minimum wages and hours regulation”

John Maynard Keynes: 1.2.1938, Letter to President Roosevelt on recovery policies from the Great Depression

Widespread introduction of administrative extension of collective bargaining agreements e.g. Mexico, 1931; Brazil, 1932; Netherlands, 1933; Canada, 1934 and USA, 1935 (generally binding on bargaining unit); Czecho-Slovakia, 1935; Greece, 1935; France, 1936.....

Policy response to the recession 2010s

Multi employer bargaining is seen as problem rather than solution: **Pact for Euro** [March 2011], **Six Pack** [October 2011], policies of **Troika** all follow OECD advice of 1994:

- refocus collective bargaining at sectoral level on framework agreements in order to give firms more leeway to adjust wages to local conditions
- introduce opening clauses for local bargaining parties to renegotiate sector agreements
- phase out administrative extension

The normative framework for collective bargaining: International labour standards

- The Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87)
- The right to Organise and Collective Bargaining Convention, 1949 (No. 98)
- The Collective Bargaining Convention, 1981 (No. 154)
- Collective Bargaining Recommendation, 1981 (No. 163)
- Collective Agreements Recommendation, 1951 (No. 91)
- The Employment Relationship Recommendation, 2006 (No. 198)



Minimum Wage C. 131

The minimum wage has been defined at the ILO as: “the minimum amount of remuneration that an employer is required to pay wage earners for the work performed during a given period, which cannot be reduced by collective agreement or an individual contract” (General Survey, 2014). This refers to its binding nature; It has the force of law.

Key elements of a minimum wage systems

Convention No. 131 refers to the obligation to establish “a system of minimum wages”. The key elements of this minimum wage system include:

- 1) A broad scope of application: «a system of minimum wages which covers all groups of wage earners whose terms of employment are such that coverage would be appropriate»
- 2) Full consultation with social partners on equal footing in the design and operation of the minimum wage system and where appropriate their direct participation in the system.

Key elements of a minimum wage systems

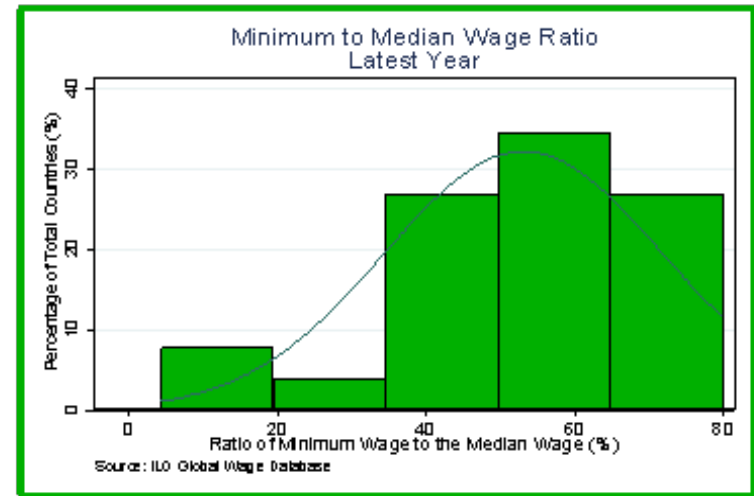
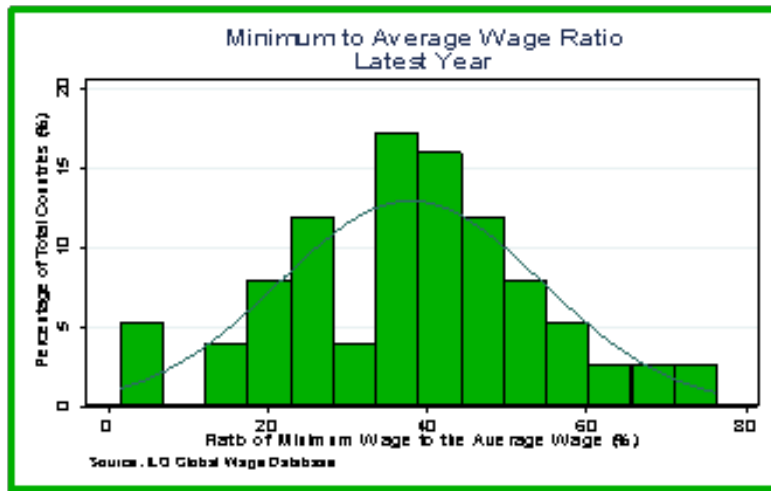
Key elements of a minimum wage systems (continued):

- 3) The need to take into account (a) the needs of workers and their families, and (b) economic factors in determining the levels of minimum wages
- 4) The periodic adjustment of minimum wage rates to reflect changes in cost of living and other economic conditions
- 5) The implementation of appropriate measures to ensure the effective application of all provisions relating to minimum wages.

Economic factors

The ratio of MW to Mean Wages:

Data available to the ILO shows that countries frequently set their minimum wages at 35% to 45% of mean wages.



Single or multiple minimum wages?

- Differentiated rates are commonly set for different regions; apprentices and trainee workers; young workers; migrant workers; or domestic workers. This is often done with a view to encourage employment for some vulnerable groups or economically depressed regions, or to compensate for differences in the cost of living in different regions.
- With multiple minimum wages, however, there is a risk that similar workers, in terms of skills or occupation, would be subject to varying rates. This would affect the principle of equal treatment (discrimination). Multiple rates also increase administrative complexity, and can make it difficult for workers and employers to determine the rate applicable to them. It can also trigger internal migration.
- Increasing minimum wages more rapidly in poorer regions should be a priority in order to equalize living conditions

Social Security & employment policies

Unification of

- Unemployment Insurance
- Pension system
- Health care
- Skills development and mobility

Protection of Wages C. 95

- Wages payable in money shall be paid only in legal tender, and payment in the form of promissory notes, vouchers or coupons, or in any other form alleged to represent legal tender, shall be prohibited.
- Any deduction from wages with a view to ensuring a direct or indirect payment for the purpose of obtaining or retaining employment, made by a worker to an employer or his representative or to any intermediary (such as a labour contractor or recruiter), shall be prohibited.
- Wages constituting a privileged debt shall be paid in full before ordinary creditors may establish any claim to a share of the assets. . The relative priority of wages constituting a privileged debt and other privileged debts shall be determined by national laws or regulations.
- Wages shall be paid regularly. ... the intervals for the payment of wages shall be prescribed by national laws or regulations or fixed by collective agreement or arbitration award.

Protection of Wages Employer's Insolvency C. 173

The payment of workers' claims against their employer arising out of their employment shall be guaranteed through a guarantee institution when payment cannot be made by the employer because of insolvency.

Labour Clauses Convention C. 94

Contracts to which this Convention applies shall include clauses ensuring to the workers concerned wages (including allowances), hours of work and other conditions of labour which are not less favourable than those established for work of the same character in the trade or industry concerned in the district where the work is carried on—

- (a) by collective agreement or other recognised machinery of negotiation between organisations of employers and workers representative respectively of substantial proportions of the employers and workers in the trade or industry concerned; or
- (b) by arbitration award; or
- (c) by national laws or regulations.

Access to legal recourse

- Trade union has the right to represent its members in court
- Trade Unions can take employers to court
- Labour courts are free or at least affordable
- Free access to legal advice