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No, workers aren't driving the cost-of-living crisis

Profits, not wages, are exacerbating inflation and the cost-of-living crisis. In response, the EU should strengthen collective bargaining

As inflation explodes across Europe, policy-makers are facing a choice. They can choose to share the burden of the cost-of-living crisis across society, or to leave it to working people to pay the price.

In this context, neoliberals are making a lot of noise about the threat of a 'wage-price spiral'. According to them, working people must accept real term pay cuts to avoid adding further upward pressure on prices. In reality, however, we are facing the opposite: a profits-price spiral.

Dominant corporations are jacking up their prices above inflation and redistributing record profits upwards. The UK union Unite's recent research shows profits for the UK's biggest companies shot up 73 per cent in 2021. And as Barbara Teiber, Chairwoman of GPA union in Austria put it, 'despite the crisis, the super-rich have become even richer, as the most recent data and studies show in unison.'

Profits drive the cost-of-living-crisis

Of course, there are factors beyond our direct control that have caused inflation to jump. The breakdown of supply chains due to the pandemic and the Russian invasion of Ukraine are undeniably key drivers of inflation. But it is profits — not wages — that are truly exacerbating the cost-of-living crisis.

Let's look at a concrete example. UNI Europa recently explored the situation at a company called Metsä Board, which produces cardboard packaging. In the first quarter of 2022, it recorded its highest profits ever, while its profit margin nearly doubled in the past two years. Meanwhile, personnel costs actually went down by 7.7 per cent of overall costs (from 13 per cent of costs in 2020 to 12 per cent in 2021).

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Redistributing income away from workers and towards profits and wealth accumulation of the few is socially unjust and economically unsound. For instance, in the case of Metsä Board, a 15 per cent increase in personnel costs would only result in a 1.8 per cent increase in costs while keeping those workers spending in their local communities. Allowing corporations to cut real term pay will only result in lower demand and further destabilise our economy.

Strengthening collective bargaining

Going into this crisis, Europe is in a worse position to achieve a fair outcome than ever before in the post-war period. Over the past two decades, workers' ability to bargain collectively has been attacked across Europe. From Ireland to Romania, laws have been dismantled. Even in the stronghold of the Nordic region, corporations are taking direct aim at the structures of collective bargaining that have consistently delivered shared prosperity. In Finland, for example, workers accused forest industry multinational UPM of betrayal when management unilaterally annulled collective bargaining with white collar workers.

Some will point to the exceptions. In Germany, industrial cleaners and their union IG BAU recently secured inflation-beating wage increases for 700,000 people in the sector. The lowest-paid workers saw the highest raise with a 12.6 per cent pay increase. Price escalation affects the poorest most and this example shows how important collective bargaining is to put solidarity at the core of Europe's response to the cost-of-living crisis. Unfortunately however, this is the exception rather than the rule.

The European Union institutions cannot leave it up to workers and their unions to fight for justice on their own.

Across Europe, it looks like we will be seeing an increase in the number and frequency of strikes. This is particularly true in countries where workers' collective power has most been suppressed. People are rightly refusing to shoulder the whole burden of the inflationary crisis while others reap in record profits on their backs. Low pay in the face of galloping inflation is already causing airport chaos across Europe. If a fairer balance of power is not achieved, this will only be the start.

The European Union institutions cannot leave it up to workers and their

unions to fight for justice on their own. The draft directive on adequate minimum wages gets the ambition right. Its target of 80 per cent collective bargaining coverage for all member states is an encouraging sign. But the deep dissatisfaction that is brewing must be tackled head on — and reinforcing collective bargaining must be the number one policy priority to do so. As the main tool with which workers can claim higher salaries, it will be crucial to sharing the burden of the current crisis fairly.

What's worse is that public money is fuelling the race to the bottom for democracy at work. The EU's broken public procurement rules are incentivising companies to suppress collective bargaining. By putting lowest price above all other selection criteria, public bodies are rewarding those companies that are prepared to dodge negotiations and squeeze workers the hardest.

A European response

The EU must now lead by example. The easiest way it can strengthen collective bargaining is through public procurement. Public spending on goods and services from private companies account for a whopping 14 per cent of the EU's GDP. This money is currently contributing to undermining collective bargaining. It is the EU's public procurement rules that set the tone for this by putting lowest price above all else.

Sharing the burden of inflation can only be achieved if there is a rebalancing of who holds the power.

Instead, the EU's procurement rules should put a floor of decency under every private sector worker under a publicly procured contract. They can do so by making a simple but profound rule change: By only allowing companies in which workers have collective bargaining agreements to access public money, working people would regain the tools they need to face the cost-of-living crisis. Both unions and Members of the European Parliament are increasingly pushing for this solution. Public money, the money that working people pay in tax, should not be used to finance companies that undermine our jobs and the wellbeing of society.

Sharing the burden of inflation can only be achieved if there is a rebalancing of who holds the power. *Stronger together* is the European Union's slogan. It must turn those words into action by moving forward through collective bargaining.



Oliver Roethig

Brussels

Oliver Roethig heads UNI Europa, the European service workers union with seven million members, as its Regional Secretary, first elected in 2011. He is a member of the Management Committee of the European Trade Union Institute (ETUI) and the Executive Board of UNI Global Union, which represents 20 million workers, since 2011.

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