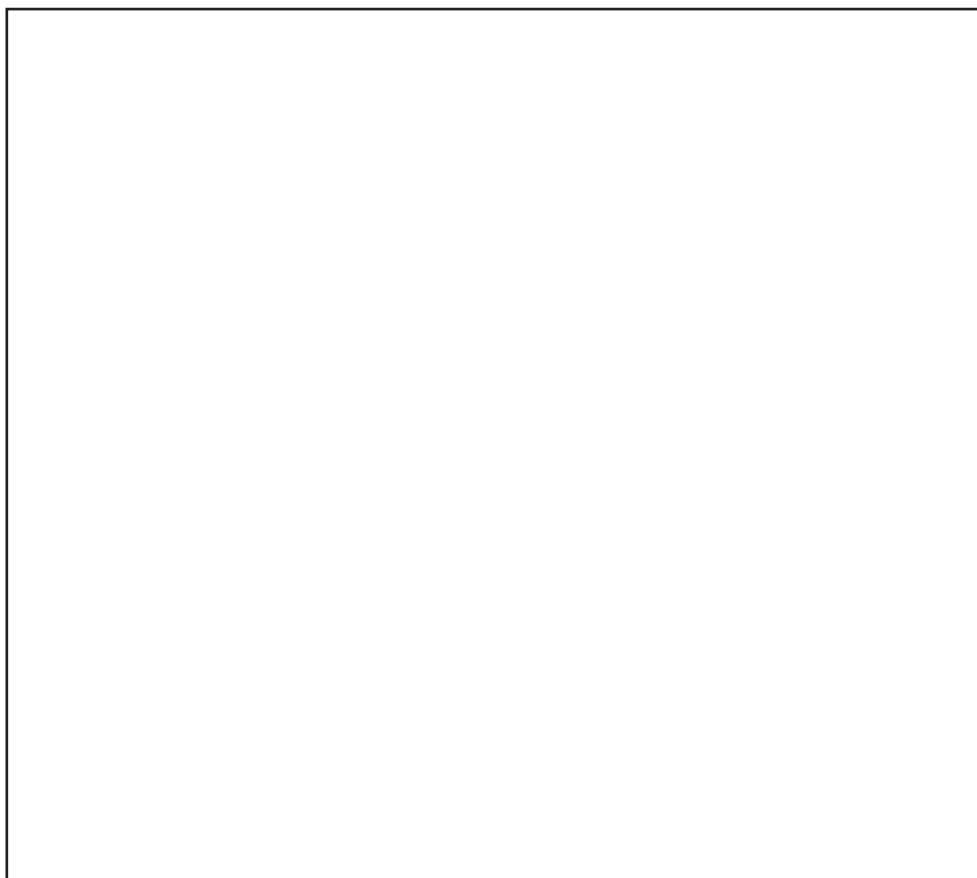




Eurofound

# Extension of collective bargaining agreements in the EU

*Background paper*



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## Introduction

This report gives an overview of the extension mechanisms of collective bargaining agreements, deriving its data from the industrial relations country profiles of 2009 created by the European Foundation for the Improvement of Living and Working Conditions (Eurofound).<sup>1</sup>

Collective agreements are agreements concluded between single employers or their representative organisations and the representative organisations of workers, such as trade unions. In principle, agreements are only legally enforceable against contracting parties. National and sectoral collective bargaining agreements can, however, be extended so that they also apply to employees and employers who were not represented by the social partners signing the agreement. Such cases of extension mechanisms, in which rights are owed towards all parties, exist in almost all EU Member States (Sciarra, 2005).

The first section of this report presents the differences between the existing extension mechanisms. The second provides an overview table summarising some characteristics of the national extension mechanisms described in Eurofound's industrial relations country profiles. The third section describes the extension mechanisms of each country in more detail.

## Legal possibilities for extending collective agreements

In almost all EU Member States, mechanisms exist to make collective bargaining agreements legally binding for all employees and employers in a certain sector or in the entire country. Through such extension mechanisms, collective bargaining agreements play a central role in all the Member States' systems of employment and industrial relations, and they also are emerging as a means to regulate some elements of employment relations at the European level.<sup>2</sup>

On the basis of the information available in Eurofound's industrial relations country profiles,<sup>3</sup> the extension of collective bargaining agreements appears to be widespread in almost all EU Member States. Only in six Member States is there no legal procedure for extending agreements – Cyprus, Denmark, Italy, Malta, Sweden and the UK.

For the 21 EU Member States where it is legally possible to extend collective bargaining agreements, such extension is normally done by means of an administrative decision by the ministry of labour, a publication in the country's official journal, or both. For some countries, it is done quasi-automatically; for others, it is done on the demand of one or both social partners. Usually, there are specific conditions or thresholds that must be met before a collective agreement can be extended. These differences mean that in different countries, extension mechanisms may be used more or less frequently.

These legal extension mechanisms thus vary on three factors: who takes the initiative, whether there are minimum requirements, and how frequently they are used.

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<sup>1</sup> Eurofound has created industrial relations country profiles for each of the 27 Member States and a number of other countries. These profiles look at basic information about the country, its economy, key trends in industrial relations, the principal actors among the social partners, and developments in pay and working time. They are available at [http://www.eurofound.europa.eu/eiro/country\\_index.htm](http://www.eurofound.europa.eu/eiro/country_index.htm).

<sup>2</sup> Article 155 of the Treaty on the Functioning of the European Union sets out how European social partners can request that an agreement made by them is extended via a European directive.

<sup>3</sup> These country profiles reflect the state of play in the EU Member States in 2009. Eurofound is currently updating the profiles. For additional information, see European Commission (2011).

**Initiative to start extension procedure** The initiative to start an extension procedure can be done automatically or quasi-automatically by the competent government institution, as is the case in Austria, Belgium, Finland, France, Greece, Luxembourg and Spain. Alternatively, it can be done on the demand of one or both of the social partners who made the collective agreement. Such a request by a social partner is needed in – for example – Lithuania, the Netherlands and Portugal. For most countries, the final decision is taken by the ministry of labour. In Finland, it is possible to appeal the extension before the Labour Court.

**Minimum requirements for extension** For those mechanisms where minimum requirements are provided, these are mostly thresholds of representativeness for the contracting parties. Such preconditions for extension are provided in Germany, Greece, Latvia and Slovenia, for example.

**Frequency of use** In some countries, extension mechanisms are widespread; in others, they are used in only a very limited number of cases. In Belgium, the Czech Republic, France, the Netherlands and Portugal extension mechanisms are very frequently used. In contrast, in Austria, Bulgaria, Estonia, Hungary, Lithuania and Poland extension mechanisms are only seldom used.

## Summary of national extension mechanisms

The national extension mechanisms are summarised below; details for each country follow on page 4.

Table 1: *Mechanisms for extending collective agreements, by country*

Country	Official legal procedure required	Minimum requirements for extension	Frequency of use
<b>Austria</b>	Extension order ( <i>Satzungsklärung</i> )		Seldom used (because of the extensive coverage of collective bargaining)
<b>Belgium</b>	By royal decree		Often used
<b>Bulgaria</b>	By ministerial decree		Not yet used, despite some 16 applications for extensions from sector social partners
<b>Cyprus</b>	No extension mechanism		
<b>Czech Republic</b>	Decision by Ministry of Labour and Social Affairs	Conditions set by law	Frequently used
<b>Denmark</b>	No extension mechanism		
<b>Estonia</b>	Publication by Ministry of Social Affairs		Seldom used; only four agreements between 2004 and 2008
<b>Finland</b>	By decision of a public commission; appeal is possible at Labour Court	Criteria for representativeness	Generally applied
<b>France</b>	Government decision		Very frequently used
<b>Germany</b>	Declaration by Ministry of Labour and Social Affairs, only under specified conditions	Employers signing must employ at least 50% of the workers in the occupational and geographical area covered, it must be in the 'public interest', and a committee must approve it by majority vote.	Only 640 of 64,300 agreements registered in 2008 were extended. There is a wider voluntary acceptance of sectoral collective bargaining agreements as the sectoral wage-determination model.
<b>Greece</b>	Decision by Ministry of Employment and Social Protection	Possible if agreement is already binding for employers employing 51% of sector's or profession's workers	Recent amendments have limited the possibilities for extension.

Country	Official legal procedure required	Minimum requirements for extension	Frequency of use
<b>Hungary</b>	By ministerial decree		Seldom used: only four extension decrees in the 1990s
<b>Ireland</b>	Registration of agreements by Labour Court	On request of signing parties, if 'substantially representative'	Not common, confined in practice to construction and electrical-contracting sectors
<b>Italy</b>	No extension mechanism		
<b>Latvia</b>	Publication in government publication <i>Latvijas Vestnesis</i>	Almost automatically by social partners if the employer organisation employs 50% of the workers in the sector	
<b>Lithuania</b>	Decision by Ministry of Social Security and Labour	On the demand of one social partner organisation	Never used
<b>Luxembourg</b>	Grand Ducal regulation		
<b>Malta</b>	No extension mechanism		
<b>Netherlands</b>	Decision by Ministry of Social Affairs and Employment	On the demand of one social partner and if the agreement covers 55% of the relevant employees	Frequently used
<b>Norway</b>	Legally possible since 1993		No longstanding tradition
<b>Poland</b>	By decree from Ministry of Labour and Social Policy		Not used, because multiemployer collective bargaining agreements are very rare in Poland
<b>Portugal</b>	By decree from Ministry of the Economy and Employment	On request of signing parties	Common practice
<b>Romania</b>	Provided for by labour law		
<b>Slovakia</b>	Provided for by labour law	Recently has become more difficult because the employer's consent is required	
<b>Slovenia</b>	Decision by Minister of Labour, under conditions specified in Collective Agreements Act	Ministerial decision on the request of one of the parties in the agreement if the partner represents more than 50% of the workers in the companies affected by the extension	From the adoption of the Collective Agreements Act in 2006 to the end of 2009, there have been five cases of extension of the sector collective agreements.
<b>Spain</b>	Provided for by labour law		
<b>Sweden</b>	No extension mechanism		
<b>United Kingdom</b>	No extension mechanism		

Source: Eurofound industrial relations country profiles

### Details of national extension mechanisms

#### Austria

The legislation has provided for an official procedure called an extension order (*Satzungserklärung*), whereby a collective agreement (or part of it) can be extended to include employment relationships (of essentially the same nature) that are not covered by an agreement. An extension order is issued by the Federal Arbitration Board (*Bundeseinigungsamt*) on application from an employer or employee representative organisation that has the capacity to conclude agreements. In practice, such a procedure is relatively unusual, since there are only a few areas of employment that are not covered by a collective agreement.

#### Belgium

The obligatory nature of a collective agreement can be extended by royal decree. In such a case, the agreement will be binding for all employers covered by the bipartite structure within which the deal has been concluded, without the possibility of including contrary provisions in individual employment contracts. This procedure is initiated on request by the sectoral joint committee (comprising the three main trade unions and employer representatives in the sector concerned) or by one organisation represented in the committee. This option of extending a collective agreement is used relatively often by the signatory parties.

#### Bulgaria

Collective agreements are binding, and the Labour Code provides for their extension by ministerial decree. However, so far, this procedure has not been used by the labour minister, despite some 16 applications from branch-level social partners.

#### Cyprus

At all levels, collective agreements cover both organised and unorganised labour. In practice, however, almost entirely due to the lack of control mechanisms and the consequent breaching of collective agreements, unorganised labour is very often not covered by collective agreements. No mechanism exists for providing for the extension of collective agreements, whether set by law or by collective agreement.

#### Czech Republic

Czech law distinguishes between enterprise-level collective agreements (ELCAs), concluded between the relevant trade union body and an employer, and higher-level collective agreements (HLCAs), concluded for a greater number of employees by the relevant higher-level trade union body and one or more employer organisations.

The process of extending the scope of collective agreements to other employers continued in 2008, with three such agreements being extended. The binding nature of HLCAs was expanded to include a further 3,975 employers, with more than 362,000 employees. Therefore, the HLCAs concluded by the trade unions affiliated to the Czech–Moravian Confederation of Trade Unions (*Českomoravská konfederace odborových svazů, ČMKOS*) for 2008 apply to almost 9,400 employers (compared with around 9,300 in 2007) and cover more than 970,400 employees (998,400 in 2007). These HLCAs represent about 23% of all employees.

According to the trade unions associated with ČMKOS, 3,119 ELCAs applying to 1,110,109 employees – which represent 26.5% of all employees in the Czech Republic – were concluded in 2008 with 6,344 employers, where their trade union organisations are active.

Extension of the binding nature of HLCAs to another employer is possible under conditions set by law. The Ministry of Labour and Social Affairs of the Czech Republic (Ministerstvo práce a sociálních věcí ČR, MPSV ČR) possesses the relevant powers. Agreements are extended based on a proposal made by both contractual parties to the agreement, provided that the conditions determined by law are met.

### **Denmark**

There is no formal extension procedure for private-sector agreements. Government action consists of adopting EU legislation. The high proportion of public-sector employment (public-sector employees constitute about one-third of the workforce), the high level of trade union density, and employer centralisation provide for the establishment of widely accepted informal standards far beyond those negotiated with companies covered by collective agreements (Scheuer, 1999).

### **Estonia**

Most commonly, collective agreements apply only to the signatory parties and only to workers in the company or companies that have signed. However, according to the Collective Agreements Act, the terms of wages and of working and rest time in collective agreements may also be extended to those not affiliated to the signatory parties if the agreement is a multiemployer one. The scope of extension is stipulated in the collective agreement. Such agreements are published by the Minister of Social Affairs in an official journal entitled *Official announcements*. No other voluntary mechanism applies for extending a collective agreement. The practice of extended collective agreements is not common: only four such agreements have been concluded over the period 2004–2008.

Several problems with the system of extending collective agreements have been pointed out. For instance, it has been proposed that a representativeness criterion be introduced so that only the most representative organisations in the sector in terms of the number of members would be eligible to conclude extendable agreements. It has also been recommended that the list of provisions in extendable agreements be differentiated between those provisions that can be extended only to the sector and those that can be extended to the whole economy. To protect the rights of third parties affected by an extended agreement, a control mechanism should be introduced to ensure that the extended conditions remain feasible and clearly understandable (Eurofound EIRO, 2009).

### **Finland**

The collective bargaining coverage rate has been about 90% in the past 10 years and has remained nearly constant since 1990. Collective agreements have a generally or universally binding nature. Since 1971, a principle of general applicability of collective agreements has been in effect in Finland. According to this principle, employers that are unorganised in terms of collective bargaining must comply with the national agreements that concern their field of economic activity. The generally binding nature of a collective agreement depends on various factors, especially the organisation rate of the employers and employees in the sector concerned. Since 2001, a public authority (a commission) formally decides whether collective agreements are generally binding. The decision of this commission may be appealed at the Labour Court (Työtuomioistuin), the decision of which is final.

The decision regarding the general validity of the decision is published in the Regulations Collection maintained by the authorities, and agreements confirmed as generally binding are available free of charge on the internet. All collective agreements that can be extended to all employees are documented in the official register by the Ministry of Employment and the Economy (Työ- ja Elinkeinministeriö, TEM). An agreement is generally applicable if it can be considered representative of the field in question. The criteria for representativeness are evaluated based on statistics that measure the general applicability of collective agreements, the established practices of agreements in the field, and the organisation rate of the negotiating parties. The aim of the system of general applicability to guarantee minimum conditions is also taken into consideration.

### France

Collective bargaining coverage is very high in France. About 90% of workers are covered by a collective agreement. This is because collective agreements are easily extended to entire sectors of activity or to different geographical regions or other economic sectors. The government can extend collective agreements at the request of one of the bargaining parties. Such extensions decided by a public authority have been used in different branches to level out advantages given to workers and to avoid competition. These extensions of agreements have historically been used to improve working conditions. As a consequence, even companies that are not members of an employer organisation but that have signed an agreement are covered by a sectoral agreement once it has been extended by the government.

### Germany

According to Article 5 of the Collective Agreements Act, the Minister of Labour and Social Affairs may issue an order imposing extension only if the following preconditions are met.

- The trade union or employer organisation signing the agreement must have applied for such an extension.
- The employers bound by the collective agreement in question must together employ at least 50% of all employees working in the occupational and geographical area covered by the agreement.
- The procedure must be deemed to be in the public interest.
- A 'committee on orders imposing extensions' – consisting of three trade union and three employer representatives (from other industries) – must have approved the application by a majority of at least four votes.

Since 1999, the Federal Ministry of Labour and Social Affairs (Bundesministerium für Arbeit und Soziales, BMAS) is enabled to declare (under certain conditions) wages and working conditions to be generally binding by a ministerial directive, thus circumventing the committee on orders imposing extensions.

Out of 64,300 collective agreements registered with BMAS in 2008, a total of 640 agreements have been extended. Out of these, only 186 agreements covered eastern Germany.

No legal mechanisms exist for the application or extension of the terms of collective agreements. However, according to data gathered by the IAB Establishment Panel, a survey of German employers, about 27% of all western German and about 22% of all eastern German establishments voluntarily take sectoral collective agreements as their guides to wage determination (Ellguth and Kohaut, 2008). There is no explicit wage-bargaining coordination at national level.

### Greece

The Minister of Employment and Social Protection (Υπουργείο Απασχόλησης και Κοινωνικής Προστασίας, ΥΡΑΚΡ) may decide to extend a collective agreement and declare it mandatory for all workers in a certain sector of economic activity if the agreement is already binding to employers employing 51% of the sector's or profession's workers. In practical terms, this means that, when a collective labour agreement (*συνλογική σύμβαση εργασίας*, SSE) is signed, all of the parties involved are bound by its terms and conditions irrespective of whether they are members of the representative organisations that took part in the bargaining on the SSE.

There are no voluntary mechanisms for expanding and applying the regulations laid down in an SSE. Recent amendments limit the extension mechanism

## **Hungary**

Genuine sectoral agreements – that is, agreements concluded by employer organisations with sectoral trade unions – can be extended by ministerial decree. However, so far only four extension decrees have been issued, in the bakery, electricity and hospitality industries in the 1990s, as well as in construction in 2005.

The national recommendation of the National Interest Reconciliation Council (Országos Érdekegyeztető Tanács, OÉT) on annual wage increases is considered to have an ‘orientation’ function for lower-level negotiations and wage determination in the non-unionised sector. Moreover, in some sectors, trade unions and employer organisations seek to collect and disseminate data on bargaining outcomes concluded at company level. Nonetheless, in the absence of resources, not all of the sectoral trade unions are able to support local unions in the course of the bargaining rounds.

The Hungarian collective bargaining structure has always been decentralised. However, an EU Phare programme, which ended in 2004, increased decentralisation by establishing more than 30 sectoral bipartite social-dialogue committees to strengthen sectoral industrial relations. The main activities of sectoral social-dialogue committees have included consulting on government bills and policy papers, developing initiatives for the preparation of professional documents, issuing recommendations, and partaking in EU-level social dialogue. Sectoral collective bargaining has not been a focal activity of the committees. Since 2004, only two new agreements have been concluded – in 2005 for the construction industry and in 2007 for the private security industry. In several other industries, such as bus transport, baking, electricity, water management and chemicals, sectoral agreements were concluded before 2002 and are now undergoing renegotiation within the committees, together with the supplementing of annual wage agreements (Eurofound EIRO, 2008).

## **Ireland**

Extension mechanisms for collective agreements are not common. Extension procedures can be invoked by application of the parties to an agreement to make it legally enforceable for all employees and employers in a given sector, region or company. Parties to the agreement must be ‘substantially representative’. Legal extension requires a decision of the Labour Court to convert a collective agreement into a Registered Employment Agreement (REA).<sup>4</sup> This facility is, however, little used, apart from in the building and construction sectors, where collective agreements have been in continuous use for 60 years. Ireland does not have a strong system of sectoral bargaining.

## **Italy**

There is no formal extension mechanism for collective agreements, as these agreements are generally binding only for the companies and employees affiliated to those associations that sign the collective agreements. However, courts usually refer to collectively agreed minimum pay rates in order to assess the appropriateness of actual wages in individual disputes, according to Article 36 of the Constitution. Therefore, employers tend to apply such minimum rates to avoid strife. Nonetheless, it should be emphasised that this possible incentive to abide by collective agreements refers only to minimum wage rates and not to all of the other economic and normative content of collective agreements.

## **Latvia**

Under Section 18 of the Labour Law, an employer, a group of employers, an employer organisation or an association of employer organisations, and a trade union or an association of trade unions can enter into a collective agreement in a sector or territory (a ‘general agreement’). If the employers bound by the agreement employ more than 50% of the workers in the sector, the agreement is almost automatically extended to all employers of the relevant sector. The agreement comes into effect on the day of its publication in the government’s official gazette (*Latvijas Vēstnesis*), unless

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<sup>4</sup> European Commission (2007). See Chapter 2 and especially Table 2.1.

the agreement specifies otherwise. Other voluntary mechanisms of extension or application of the terms of collective agreements do not exist in Latvia.

### Lithuania

Lithuania's Labour Code provides for the possibility to broaden the scope of application of sectoral collective agreements. In general, a sectoral collective agreement applies only to the members (that is, companies) of the employer organisation that has signed the agreement, or to those companies that have joined the employer organisation after an agreement has been signed. However, if the provisions of an agreement are important for the sector or occupational groups in the sector, the Minister of Social Security and Labour may extend its application, or its specific provisions, to the entire sector, occupational groups or particular services in the sector. A sectoral agreement's provisions will only be extended if a request has been submitted by one or more of the trade unions or employer organisations that have negotiated the agreement. This provision of the Labour Code has never been put into practice, so to date, there has been no extension of a sectoral collective agreement's application.

### Luxembourg

The extension of the terms of a collective agreement to all employers and employees in a sector is permitted through a Grand Ducal regulation. The filing and publication of agreements are regulated, as are their duration, validity and content. The large majority of collective agreements are negotiated at company level. It is mainly at this level, therefore, that pay and working-time agreements are established.

The employer's economic activity determines which staff members are covered by a collective agreement, not a staff member's occupation within the company. In theory, even if the employer has several activities in different economic sectors, only one agreement would apply to the workforce.

### Malta

Collective bargaining in Malta is carried out at enterprise level. Collective agreements between the trade unions and the employers concerned are legally binding. Such agreements are not extended by legislation or voluntary mechanisms. In the public sector, a central bargaining unit coordinates the negotiations on wage bargaining with the representative trade unions in the different entities on behalf of the government. In the case of private companies, no formal mechanism exists for the coordination of wage bargaining. Moreover, no efforts have been made to centralise collective bargaining.

### Netherlands

In many sectors, the sectoral collective agreement is, at the request of the social partners, extended to all employees by the Ministry of Social Affairs and Employment (Ministerie van Sociale Zaken en Werkgelegenheid, SZW). This adds some seven or eight percentage points to the coverage rate of collective agreements.

The extension of collective agreements is regulated by the 1937 Act on Administrative Extension and Non-extension of Collective Labour Agreements (Wet AVV). The purpose of the act is to prevent employers who are not members of the signatory association from stipulating employment conditions below the collectively agreed sectoral level.

Extension of collective agreements has to be approved by the SZW. The procedure for extension is based on the following principles:

- a request must be made by one or more of the signatory parties;
- the extension applies to all employees and employers in a given sector;
- the minimum requirement for extension is that the agreement must cover at least 55% of relevant employees.

Some companies follow other agreements voluntarily, but this is not an extensive practice.

Collective agreements are legally binding for the members of the trade unions that are party to the agreement. The same is true for the employer or employer organisation that is party to the agreement. The employer is obliged to offer the same conditions to unorganised employees as trade union members. Unorganised employees do not have to accept the terms of a collective agreement; however, they generally do so without exception.

### **Norway**

No longstanding tradition exists in Norway of making collective agreements generally applicable. However, since 1993, the legal framework has allowed for parts of nationwide agreements to be extended if it becomes evident that foreign workers are subject to wage and working conditions that are inferior to normal conditions in the sector where the agreement applies. In light of increasing labour migration from the EU Member States that joined in 2004, key clauses of collective agreements have been made generally applicable within several industries, such as construction and shipbuilding.

### **Poland**

Agreements in Poland take one of the two following forms:

- company-level agreements – between an employer and the trade union organisation(s);
- multiemployer agreements – between the sectoral or regional trade union organisation and the employer organisation representing a group of employers.

Chapter 11 of the Labour Code defines the rules of contracting collective agreements.

In total, 2,648 company-level collective agreements were in force in 2007. Some 164 of these were new collective agreements, 54 of which were initiated by employers who had not engaged in collective bargaining before. The registered collective bargaining agreements involved 121,500 employees.

The company level remains the predominant level of negotiations. Moreover, the process of decentralisation and abandonment of multiemployer or sectoral agreements has been confirmed as a permanent tendency in the industrial relations system.

Under Article 248 of the Labour Code, multiemployer collective agreements can be extended by a decree from the Ministry of Labour and Social Policy to employers who are not affiliated to the signatory employer associations, following a joint request of an employer association and a trade union. However, this legal opportunity is not used in practice as, in general, multiemployer collective agreements are very rare in Poland.

### **Portugal**

Collective agreements are published in the official bulletin of the Ministry of the Economy and Employment (Ministério da Economia e do Emprego, MEE)<sup>5</sup> and are legally binding. It is common practice to extend such agreements. The ministry issues extension decrees at the request of the signing parties.

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<sup>5</sup> Before 2011, this used to be done by the Ministry of Labour and Social Solidarity (Ministério do Trabalho e da Solidariedade Social, MTSS).

### Romania

According to the collective agreements law, such agreements may be entered into at company level or among a group of companies at sectoral level and at national level. Collective bargaining at company level is compulsory when there are at least 21 employees. Negotiations must address at a minimum the basic aspects of working life: pay, length and schedule of working time, and working conditions. Once executed and registered, collective agreements have the power of law, and the conditions afforded to employees are considered minimal. The real conditions for employees are usually better than the minimum conditions stipulated in the agreements.

The rights acknowledged by a collective agreement at a higher level take precedence. This means, for example, that a collective agreement at sectoral or company level may not contain more limited rights for employees than the agreement at national level. Collective agreements cover all employees at the specified level – that is, all employees of a company or group of companies, or all employees of all enterprises belonging to the economic sector where an agreement has been signed. The unique national collective agreement covers all employees in Romania. Therefore, the coverage rate of collective agreements is 100%.

### Slovakia

Voluntary extension mechanisms are not used. Wage bargaining is coordinated only at sectoral level by multiemployer collective agreements, which include provisions on minimum pay increases in companies covered by the agreement.

Amendments in collective bargaining regulation entered into effect on 1 December 2004 and made extensions of collective agreements more difficult by requiring the consent of the employer concerned. From 1 September 2007, the previous regulation on extensions was reinstated (the consent of the employer not being needed). Since 2010, however, the consent of the employer concerned is again necessary for the extension.

### Slovenia

According to the Collective Agreements Act 2006, a collective agreement for one or more sectoral branches can be extended by the minister for labour at the request of one of the parties to the collective agreement. The minister decides on the extension of part or all of the collective agreement if it was signed by one or more representative trade union organisations and one or more employer organisations representing more than half of the workers in the companies affected by the extension.

### Spain

Collective agreements have the status of law, and their application affects all workers and companies in the level of agreement. Provincial sectoral agreements affect over half of the workers covered by collective bargaining, while national agreements affect about a quarter. Company agreements cover only 10% of the workers, which is due to the predominance of small companies in Spain.

This collective bargaining structure has remained stable over the years, although since 2005 there has been an increasing number of company agreements. In the same period, the coverage of national sectoral agreements has increased, whereas that of provincial sectoral agreements has decreased. The tendency is towards rationalisation of the bargaining structure following a decentralised model of organisation.

Since 2002, pay agreements have been based on the guidelines and criteria established in the Multisector Agreement for Collective Bargaining (Acuerdo Interconfederal para la Negociación Colectiva, AINC). Pay increases take as a reference the government's inflation forecast, with the possibility of higher increments based on productivity and wage-revision clauses that come into effect when real inflation – normally the retail price index for December – is higher than forecast. Such clauses are widespread and affect about 70% of the workers covered by collective bargaining.

Collective agreements are extended by law to all the workers affected, regardless of whether they are unionised or not. In Spain, there are no other voluntary mechanisms of extension or application of the terms of collective agreements.

### Sweden

The labour law does not include the principle of statutory extension of collective agreements to cover an entire industry. The trade unions at national and sectoral level and the local trade unions (or representatives of trade unions), on the one hand, and employer associations and organised employers, on the other, are authorised by law – according to the Act on Employee Consultation and Participation in Working Life, the so-called Co-Determination Act (Medbestämmandelagen, MBL) – to sign a collective agreement. Unorganised employers can sign an application agreement (hängavtal) with a trade union in the company.

It is not possible under Swedish law to extend collective agreements by decree or legislation. However, practices with an extended effect are used. For example, a trade union may sign an application agreement with a non-signatory employer, so that the agreement also applies to that particular company; or the employer may have to apply the provisions of the collective agreement to external workers, unless otherwise agreed with the signatory union.

### UK

Compared with other western European countries, the UK is notable for the unorganised nature of its collective bargaining and the lack of legal backing and promotion for collective agreements. In line with the UK voluntarist tradition, collective agreements are voluntary instruments that are ‘binding in honour only’. However, the terms of collective agreements are normally incorporated into individual contracts of employment, which are then legally enforceable. Collective agreements are never subsequently extended by legislation, and there are no voluntary mechanisms for extending collective agreements. Moreover, no formal mechanisms exist for coordinating wage-bargaining in the UK. However, in practice, trade unions in different companies and sectors often share information with one another, and agreements in certain companies and sectors often act as informal benchmarks for negotiators in other areas.

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**Peter Kerckhofs**, Eurofound