

## **Conclusions of the Subregional High Level Conference:**

### **The Impact of the Financial and Economic Crisis: Wage Fixing and Policy Responses**

(Sarajevo, 5-6 November 2009)

1. The Subregional High Level Conference on 'The Impact of the Financial and Economic Crisis: Wage Fixing and Policy Responses' was organized by the ILO through its Subregional Office for Central and Eastern Europe and was held in Sarajevo from 5-6 November 2009. It responded to the request made at the 8<sup>th</sup> European Regional Meeting held in Lisbon from 9-13 February 2009 for more technical assistance on wage issues. Tripartite delegations from Albania, Bosnia and Herzegovina, the former Yugoslav Republic of Macedonia, Kosovo<sup>1</sup>, Montenegro and Serbia attended the conference, as well as observers from the International Organisation of Employers, the International Trade Union Confederation and other international organizations.
2. The importance of the ILO's Global Jobs Pact<sup>2</sup> in proposing policies to mitigate the impact of the crisis was emphasized. The Global Jobs Pact warns against the threat of a wage and price deflationary spiral and points to social dialogue, collective bargaining and minimum wages as means to counter wage deflation.
3. The Conference addressed the impact of the crisis on wages and wage policy responses on the basis of reports by ten wage experts. The participants found that the crisis aggravated some weaknesses in wage fixing mechanisms and emphasized the need for governments, in consultations with social partners, to undertake fundamental wage reforms.
4. The current crisis has demonstrated the paramount importance of negotiated solutions in each country to recover from the crisis. Governments should play a more active role to

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<sup>1</sup> Within the meaning of UN Security Council Resolution 1244.

<sup>2</sup> Recovering from the crisis: a global jobs pact, Geneva, International Labour Office, 2009.  
[http://www.ilo.org/public/libdoc/ilo/2009/109B09\\_101\\_engl.pdf](http://www.ilo.org/public/libdoc/ilo/2009/109B09_101_engl.pdf)

stimulate and promote tripartite social dialogue, and engage with social partners more effectively to develop responses to the crisis appropriate to the countries' specific problems and needs.

5. The participants stressed the insufficient development of wage institutions. They also highlighted the fact that wage policy should figure more prominently on the policy making agenda considering its multiple effects on both workers and employers, and the fact that it remains the main focus of both collective bargaining and tripartite social dialogue. In this regard, the importance of having accurate, relevant and independent data on wages to enable such policies to be developed was stressed. At the same time, wages are only one part of an integrated, comprehensive policy framework which should also include non-wage areas such as taxation, social security contributions, etc.
6. Participants recognized that the objective of labour market institutions and their effectiveness were negatively affected by the large amount of economic activity taking place outside of the legal framework. Measures must also therefore be taken to reduce the informal economy.
7. Legislative provisions are needed in the wages area – for example, to avoid discriminatory wage practices and non-paid and/or undeclared wages – as well as effective implementation and enforcement. Implementation can be supported by awareness-raising of both employers and workers, training and information dissemination about existing legislation as well as increasing the capacity of labour inspection.
8. The participants agreed that there is a need to have a minimum wage as a wage floor to protect the most vulnerable workers, especially within the context of the economic crisis. Participants recognized that minimum wages are not at present fulfilling this role in the subregion as they remain below the subsistence level in some countries. There is still no minimum wage fixing mechanism in place in some countries. The participants agreed that

the minimum wage should be fixed and adjusted, as indicated by Convention No. 131 (1970), according to both relevant social and economic factors, i.e. the needs of workers and their families and the cost of living, as well as productivity issues and employment maintenance etc. At the same time a number of constraints that currently put unnecessary pressure on the minimum wage should be removed, by consultation and negotiation with social partners, so that the minimum wage can effectively play its social and economic role. Examples could be to remove the automatic link between the minimum wage and public sector pay rates, and the link between the minimum wage and social benefits. Such reforms would also give more room for collective bargaining.

9. The participants also agreed that wages should be better linked to productivity. Productivity could be taken more into account in wage bargaining. Profit-sharing schemes and performance related pay could be negotiated.
10. The constituents agreed on the need for the government, in consultation with the social partners, to develop a more conducive legal and institutional framework in each country in order to strengthen collective bargaining. They also recognized that enhanced bargaining capacity on wage issues including greater access to relevant and independent information and data on wages was vital.
11. The countries of the subregion are no exception to the global situation and women receive lower pay for work of equal value than their male counterparts. Wage policies should address the gender earnings gap.
12. The participants welcomed the timeliness of the tripartite high level conference. They requested the Office to continue to monitor the economic and social impact of the crisis and provide further expert advice, technical assistance and training on the different aspects of wage policies highlighted at the conference.