



Europäischer Metallgewerkschaftsbund  
Fédération Européenne des Métallurgistes  
European Metalworker's Federation

## Flexible Pay Systems

*(approved by the 100<sup>th</sup> EMF Executive Committee  
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Flexible pay is increasingly part of the collective bargaining agenda. Some elements of variable pay, like piece rates, have always been with us, but today we see a proliferation of flexible pay systems, which go beyond variable pay. Furthermore, flexible pay as a part of total pay is increasing. More and more companies are introducing forms of flexible pay.

In the past, many European trade unions reacted against these forms of pay. However, flexible pay systems have become somewhat less controversial in recent years, and have even been a priority on some unions' bargaining agendas. This change in attitude is documented by the surveys conducted by EIRO and Eucob@.

The shift in attitude can be attributed to the growing realization by trade unions of the importance of influencing the process by which variable and flexible pay is given form and content.

On the European level, flexible pay systems, including variable pay, are an important tool in the toolbox of multinational corporations. Through and within these companies, flexible pay systems travel across borders and, due to the influence of these companies, the national systems in which they operate are affected as well. The situation of the European Works Councils in multinational corporations presents a separate problem. When the Works Councils are faced with company initiatives in the area of flexible pay and variable pay, we, as trade unions, need to be able to provide them with guidance and assistance.

Flexible pay must be defined as opposed to other forms of pay, primarily basic pay as it is fixed by collective agreements. Basic pay includes such elements as fixed daily, weekly or monthly pay, fixed extra payments such as 13th month or holiday allowance, overtime payments, hardship allowances, shift work bonuses, and compensation for inflation.

A flexible pay system can consist of pay elements which imply an element of uncertainty or are largely adapted to individual or collective performance, qualifications etc.

Profit sharing can be considered a special form of performance related pay in which the criteria is financial as opposed to the traditional production based criteria. Financial participation, which entails ownership of one way or another of the company, is a problem separate from flexible pay systems, and it will not be dealt with in this document.

**The EMF considers that flexible pay systems must fulfil the following criteria:**

- Flexible pay systems must be negotiated by the trade unions - at the national or enterprise level, according to national traditions;
  - Flexible pay systems must not undercut collective agreements;
  - Flexible pay must be only a minor part of the total pay;
  - Flexible pay systems may not contain elements which reduce basic individual and collective rights of employees, such as the right to strike or leave when sick;
  - The introduction of flexible pay systems may not compromise equal treatment principles nor lead to discrimination;
  - Flexible pay elements must contribute to the social system analogously to fixed pay elements;
  - A flexible pay system must be transparent, fair and measurable, and based on objective criteria;
  - In case of profit sharing, special efforts must be made to ensure transparency over and above the rules contained in the European directive on company accounts;
  - Flexible pay systems should be designed in such a way as to enable the individual to develop their talents;
  - Flexible pay systems must be subject to frequent evaluation by the trade union at the enterprise level to ensure that employees do not overwork themselves, among other reasons;
  - If qualifications form part of a flexible pay system, easy access to training in order to achieve such qualifications must be ensured for employees.
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