January 6, 2022

A collective agreement must reflect housing costs and the condition of workers in the capital area

Efling statement in response to SA statements in January 4 offer

In the analysis accompanying the SA offer to Efling at their negotiation meeting on January 4, objectionable statements are made which need to be corrected. A misleading picture is drawn up of the developments in wages and purchasing power that the SGS collective agreement would provide. This absolutely disregards the fact that the SGS wage table would leave a majority of Efling members with lower raises than regional union members. The SGS contract has been cost assessed in a way that is of little use in assessing wage costs for Efling members. The big difference in the cost of living inside the capital area and outside it is said to be "unobjective".

In the following, serious objections will be raised on these issues, on the basis of reliable data.

SA demands that the Efling contract fit within the cost assessment that SA has performed on the SGS contract. That cost assessment is based on weak foundations, especially when it comes to the different distribution of Efling and SGS members in their duration of employment. The contract would be much cheaper for companies where Efling members work than in companies where most SGS members work. That cost assessment cannot be used unchanged.

A distorted picture of wages and purchasing power

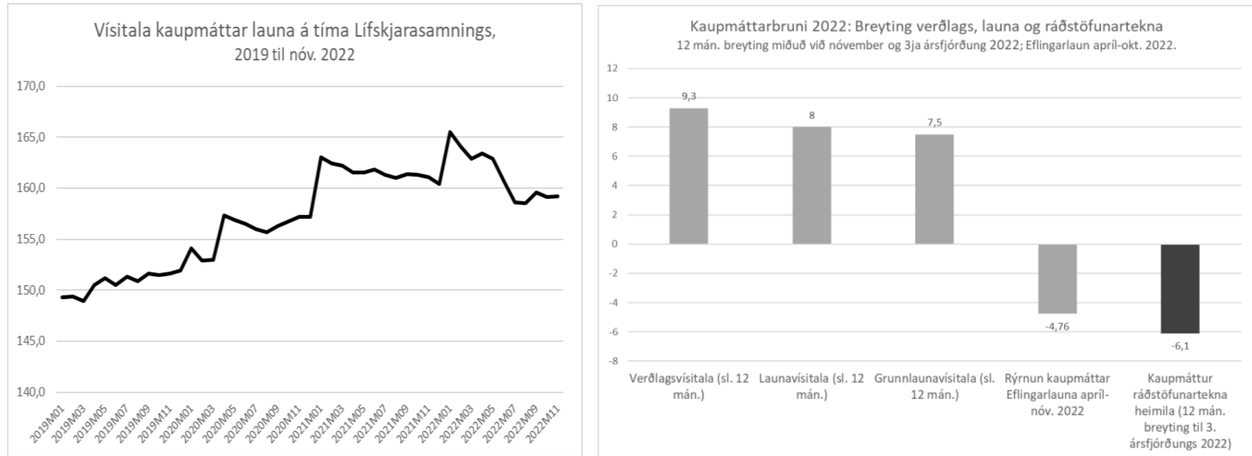
The SA analysis counts all raises from the 2019 collective agreements, starting in 2020 (and counting both regular raises and the GDP supplement) and adds them to the newly negotiated raise from the SGS contract. This generates an exaggerated picture of raises which are traced to the new SGS contract from November.

In fact, the basic rates of SGS members are rising by 35,000kr/month and the general raise is 33,000kr/month. About 8,660kr of this increase comes from the 2019 agreement (the GDP supplement), which puts the actual increase to the lowest rates at around 26,340kr. To compare, the last regular raise of the 2019 agreements was 25,000kr (as of January 1, 2022) and it was supplemented by an additional 10,500kr GDP supplement as of April that year, 35,500kr in all. The 2019 agreements were made when inflation was a third of what it is at present. It is absurd to suggest that the new contract could push purchasing power up like the last contracts did.

Representatives of SA go forth and say that the purchasing power increase in 2023 will be similar or more than in the 2019 agreements. That statement relies on inflation being at 5% in January 2024, and bases purchasing power developments in 2023 on that number. Forecasts indicate higher inflation in 2023. This talk by SA is, therefore, not just a matter of fiction, but of doggerel.

The erosion of purchasing power in 2022 is also completely disregarded. That erosion has already reduced the value of the last raise provided by the 2019 agreements, in April 2022 (see graph 1). It is dubious whether negotiated raises will retain their purchasing power through the next year, i.e. the

bulk of the new contract's term. The general raises provided to most in the new contracts are between 6.75% and 8.8%. Inflation in December was 9.6% and will presumably stay thereabouts over the coming months. Those on the lowest rates will be more likely to maintain their purchasing power in 2023 but will lose what amounts to a furnace of purchasing power in 2022 – which doesn't even take into account the rising housing costs.



Graph 1: Source: Statistics Iceland

The overriding goal of the 2019 collective agreements was to raise the purchasing power of average wages and raise that of the lowest wages the most. That was to be ensured by a flat raise for all wages. SA has maintained that the new contracts are meant to maintain purchasing power – not increase it – in the coming year, despite very high growth and good returns in most companies. This time around, the highest increase is given to higher paid groups, while the less paid get only half of their raise. It is very misleading to talk about such contracts as a "continuation of the 2019 agreements".

The SGS wage table leaves Efling members with lower raises

The average rise in basic salaries in the new SGS table is said to be 11.2%. That is correct, if you count the unweighted average of all wage brackets and steps. However, the rates which a majority of SGS members gets rise by 12.2% (the 3rd and 4th step of the table) while Efling members cover a section that sees on average 10.2% increases (steps 1 and 2). That is a big difference.

On average, a majority of SGS members gets basic salaries around 422,000kr/month, according to their new contract the higher steps in brackets 5-8). A majority of Efling members would only be getting around 410,000kr/month (the lower steps in brackets 5-8) if they took the SGS contract. The wage table of SGS members pays a majority of their members 12,000kr more than a majority of Efling members would be getting, generally speaking. The difference between the top and bottom steps (which are based on the time worked at the company) can be up to 20,000kr/month. That gain is, naturally enough, only going to those at the highest steps. In SGS, they are many – compared with Efling, where they are few. That is why Efling demands a different wage table, which takes into account this fundamental difference.

This leaves out the fact that the SGS contract has special provisions for workers in fish processing, giving them higher bonuses, which is a big deal for many regional workers. Workers in fish processing

are a much higher proportion of many SGS unions than of Efling. It would be appropriate for the capital area workers to get corresponding gains in their collective agreement.

The SA cost assessment of the contract with SGS completely sidesteps these big differences in the distribution of Efling and SGS members. To set this framework as a straitjacket for an Efling cost assessment is both wrong and deeply unfair, unless the plan is to give Efling members a much worse deal than most SGS unions are getting.

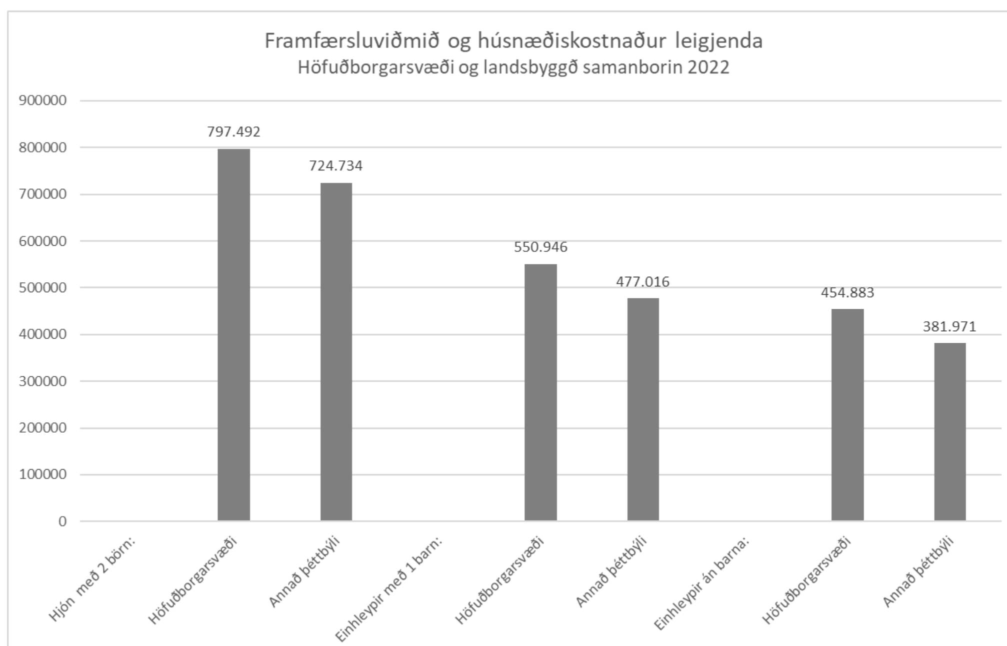
Much more expensive to live in the capital area

The much highest cost of living in the capital area should mean different outcomes from collective agreements than is currently the case. Efling has therefore asked for a special cost of living supplement for capital area workers, to reduce the chronic deficit which the households of workers in the area suffer.

It is a well known fact that the cost of living is much higher in the capital area than elsewhere. Efling has often referred to London, where a 20% premium is paid on wages, mostly due to higher housing costs.

In Iceland, housing costs for both homeowners and renters have been much higher in the capital area than outside it. In the last 10 years, housing costs in the capital area have seen unprecedented increases – a European record. At the same time, public housing support has been reduced.

Graph 2 shows an overview of the cost of living of three different types of families in the capital area versus towns in the country. This is an updated version of the 2019 cost of living guideline from the welfare ministry, adding the average paid rent, according to October 2022 data from the housing institution HMS. The guideline is therefore adjusted to tenants. A big part of the cost of living differences is due to housing costs.



Graph 2: Source: Ministry of Welfare; Húsnæðis- og mannvirkjastofnun; Statistics Iceland.

Generally, the housing costs for renters are 68,000kr higher in the capital area. If you look at the entire cost of living, the difference is closer to 73,000kr/month. Efling members in the capital area would need 95,000-100,000kr/month higher wages (before tax) to be able to afford this higher cost of living.

This is a huge difference which Efling wants corrected, though only in part this time. The demand for a cost of living supplement is the first step on the road to ending the chronic deficit seen by workers' households in the capital area (cf. [Efling Economic Analysis no. 4]). These views can only be called reasonable and fair, and it is strange to see SA trying to paint them as something different.

One might think that rent support would go to low-paid workers in the capital area to a greater extent than they go to regional workers. However, the benefits which go to low-waged workers are higher in the countryside (according to the prime ministry's Tekjusaga, see also graph 3 below). The arithmetic that allocates these benefits takes little heed of the amount of rent paid. This is another sore spot for low wage earners in the capital area. It is also right to consider that despite recently announced increases in rent support, it has not risen as much as rent in the last 10 years.

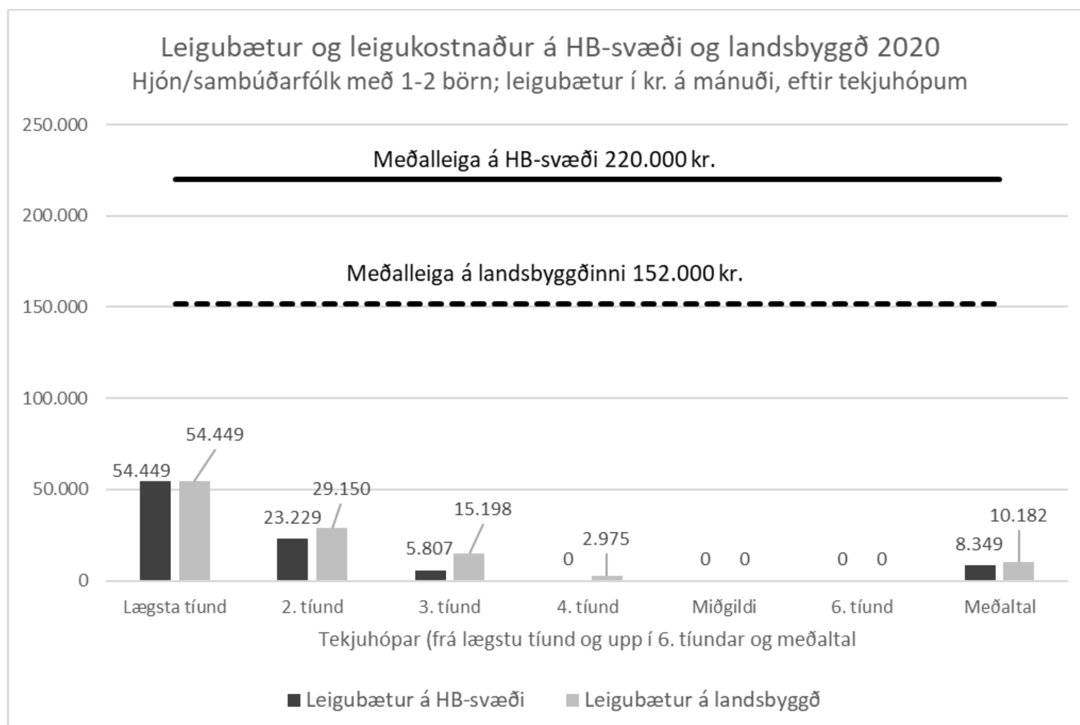
Conclusion

Efling absolutely rejects adopting the same wage table as other SGS unions have, and demands that the special situation of Efling workers in terms of jobs and duration of employment, and of a higher cost of living in the capital area, be acknowledged.

Addendum - data

The amount of rent support inside and outside the capital area, by income

Graph 3 shows us what rent support people in different income groups got in 2020, according to data from tax reports, in the capital area on the one hand and outside it on the other.

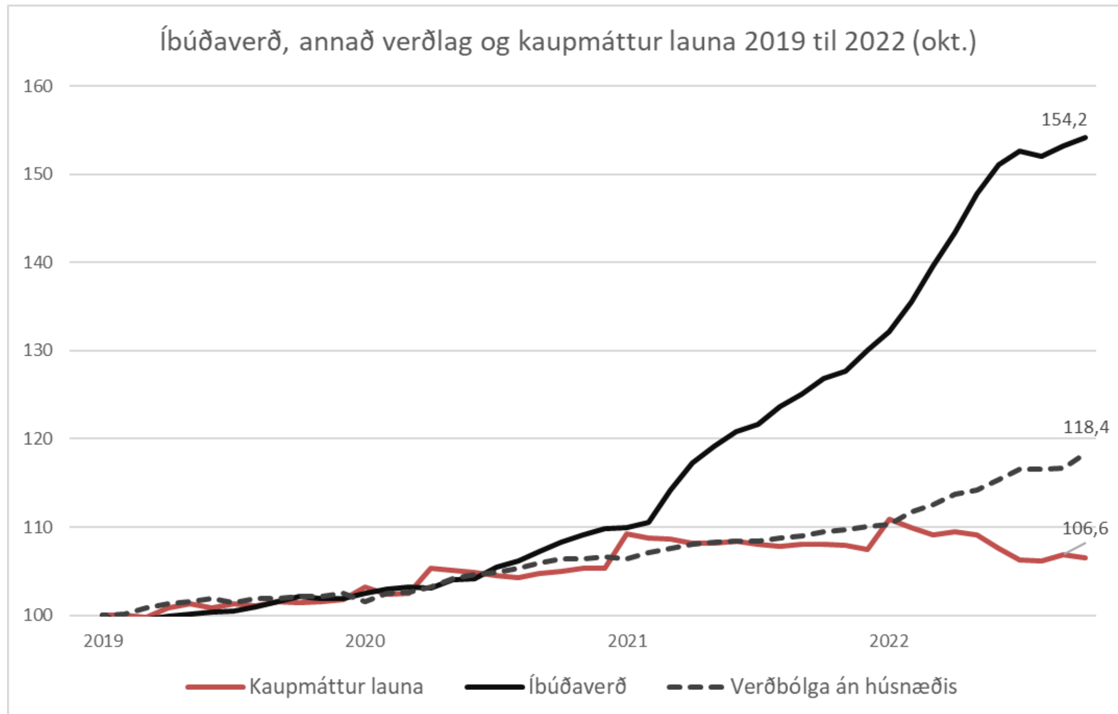


Graph 3: Source: The prime ministry's Tekjusaga

The lowest income group (the lowest 10%) got the maximum rent support as it stood in 2020 (54,449kr/mon), both inside and outside the capital area. For all other income groups, the rent support paid out was lower in the capital area. This is despite the fact that rent in the capital area is much

higher. The reason for this is that the method for calculating rent support is broken, and the cap on rent support doesn't take into account the different amounts of rent in different areas.

Graph 4 below shows the relation of capital area housing prices, purchasing power, and the price of consumer goods (not housing), from 2019 (the year of the collective agreements) through October 2022. It shows clearly how the rising housing costs have eaten up the increased purchasing power in the last two years.



Graph 4: Source: Statistics Iceland and Húsnæðis- og mannvirkjastofnun