

The Crisis: the Response of the European Trade Unions

by Bernadette Ségol

The unanimous political response to the crisis across Europe today is that of austerity and budgetary discipline. Cutting pay and social welfare, attacking bargaining mechanisms and making employment contracts ultra-flexible: that is the current paradigm, the Berlin/Brussels consensus, offered as the only way forward.

This solution is not working and will not work. It stifles growth and blocks the way to job creation. We can no longer ignore its disastrous social consequences and the rise of nationalism in many European countries bringing into question our essential values based on solidarity.

We need to change the narrative.

Official voices are increasingly being raised against austerity, but mainly from outside Europe. The Organisation for Economic Co-operation and Development (OECD) and the International Labour Organisation (ILO) say that austerity without growth is a dangerous dead-end. International Monetary Fund (IMF) managing director Christine Lagarde has expressed concerns on behalf of the IMF. Even credit rating agencies – self-serving oligopolies that they are – have joined in the chorus.

But the message isn't getting through to the finance ministers. While lip service is being paid in the European Council to the need to foster growth and employment, concrete proposals commensurate with the disaster we are facing are missing, in stark contrast to the sharp minutiae of the fiscal plans before us. The ETUC is for sound budgets. But the fiscal compact calls for a balancing social contract.

More austerity as the only response to austerity

Europe has entered a recession. The latest Eurostat figures on employment in the eurozone show that unemployment is hitting a new record. The average unemployment rate is 10.4% in the eurozone, meaning that 16.469 million people are out of work. This is the highest unemployment rate since June 1998. Youth unemployment is endemic; it affects nearly half of young Spanish people. Poverty is increasing and 8% of Europe's active population now faces extreme poverty.

In this dire situation, the response offered by European leaders is to tighten the screws. On 30 January 2012, a summit finalised a new international treaty setting in stone budgetary discipline, backed by sanctions. The ETUC is opposed to

this treaty, which does not respond to mounting problems with employment and job insecurity. The treaty only addresses these challenges in accounting terms, without any political vision. We know, of course, that we need to return to a sustainable budgetary balance. But we would be fooling ourselves if we thought that budgets will be balanced and that confidence will return.

Moreover, the process followed was not democratic. The European Parliament was unable to play an active role. Europe's trade unions are advocating a social and democratic Europe, not the budgetary, financial and technocratic Europe that has been presented.

The recession will make an already poor social situation even worse. Inequality is growing. Social movements are emerging to protest against injustice and insecurity. Social justice must be the top priority on all political agendas at both national and European level. If European leaders drop this priority to focus on austerity measures alone, particularly in countries that are already in difficulty, we should not be surprised if poverty levels increase and if inequality leads to social and political instability.

A model of European economic governance in the neo-liberal mould

The existing framework for European economic governance consists of the European semester, the Euro Plus Pact and the 'six pack'. Thanks in large part to the efforts of European trade unions and their members, the 'six pack' that came into force last year includes a clause stipulating that national systems of collective bargaining must be fully respected. A similar notion appears in passing in the international treaty, but whether it is just is open to doubt.

The reality is that the 'Troika' – composed of the EU, the European Central Bank (ECB) and the IMF – has also imposed its rules of economic governance on Greece, Ireland and Portugal as a condition for rescuing them. This type of economic governance relies centrally on attacks on labour relations and wages set by collective agreements, devaluing pension provisions, introducing greater flexibility into the labour market, weakening social protection and the right to strike, and privatising public

services. We have also seen the ECB intervening in Italian government in an unacceptable way, insisting on the privatisation and liberalisation of public services, a change in the system for setting pay, the decentralisation of collective bargaining, changes in rules on recruitment and dismissal, and an increase in the retirement age.

These diktats are usually set down in secret letters drafted in mysterious backrooms. Democracy, again, is the loser.

The crisis is also used as a pretext to tell us that a drop in pay would free up competitiveness and boost the economy, leading to a win-win situation. However, the ETUC believes that wages are a driver of economic growth rather than a barrier to it. If the rules of economic governance focus on wages and working conditions as factors for competitive adjustment, countries will compete in terms of wages, working conditions and, more broadly, social spending. And workers again shoulder the burden.

The European social model is under attack

The European social model safeguards social cohesion. It was developed as part of a social understanding that emerged in western European nations out of the ashes of World War II and covers public services, social protection and collective bargaining. But now neo-liberal forces are using the crisis to bring the social model into question. For them, not only do social protection and decent wages hinder economic recovery, but the very foundations of a model of cohesion and solidarity are anathema. Some, particularly in central and eastern Europe, espouse harsh social Darwinism, conveniently forgetting that the Scandinavian countries that have invested in a strong welfare state are also among the most competitive.

Undermining social cohesion means weakening political stability too. Social exclusion and uncertain futures pave the way for populists who advocate national self-sufficiency as a cure for all ills. The rise of the extreme right in Europe should give us cause for concern. European leaders and all defenders of deregulation must take this rampant phenomenon into account because some measures, such as austerity, feed it.

There are alternatives

The European Union needs an economic union with a strong social dimension. What we need is a real recovery plan for employment and lasting growth. We want Europe to sign a social contract, not just a fiscal pact.

- Europe needs investments for a sustainable, green economy. This should include investments in the transport and energy sectors.
- Europe needs an industrial policy that invests in leading-edge sectors and the sectors of the future.
- The ECB must have a clearer mandate. It should aim to promote price stability, full employment and the convergence of the Member State's financial conditions. The ECB should be required to act as a 'lender and buyer of last resort' for sovereign debt, instead of merely having the opportunity to do so.
- Debt should be partially pooled through euro-bonds.
- There should be a wage safeguard clause, imposing full respect for the autonomy of social partners to bargain collectively and preventing the fiscal pact from interfering with wages, collective bargaining systems, collective action and unionisation.
- We need provisions to safeguard growth: the exclusion of public investments that support potential growth from the 'balanced budget rule'; protection of the public revenue sector through a financial transactions tax, by committing to tackle tax evasion, fraud and competition; and a structural role for European social dialogue to avoid a blind implementation of rigid economic rules that could harm the economy.
- A Social Progress Protocol must be attached to the European treaties to guarantee the respect of fundamental social rights.

The ETUC is advocating a 'social contract' for Europe. Such a contract would prioritise investments in support of a sustainable economy, quality jobs and social justice, whilst combating inequality.

Faced with the steamroller of economic governance in place, the European trade union movement is taking action to oppose harmful policies and work together to find the best solutions together.

The ETUC is calling for a European day of action on 29 February to say 'enough is enough'. All over Europe, unions will ask for employment and social justice to be prioritised.

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