

EPSU to Commission President Barroso: Europe needs growth not austerity

(22 November 2011) Dear Commission President Barroso,

The Commission will adopt its 2nd Annual Growth Survey this Wednesday 23 November. EPSU expects a focus on investment and growth to address high unemployment and rising poverty in the European Union. A change of direction is needed away from austerity, precarious jobs and inequality towards sustainable development, fair taxation, investment in public services, more equality and less poverty.

A clear position is needed against the attacks on fundamental social and trade union rights that are taking place in several EU Member States. It is unacceptable that the European Central Bank (ECB) through secret letters intervenes in collective bargaining and makes EU support conditional on changes to labour legislation. The ECB has no legitimate right or mandate to demand these changes. EPSU strives for a European Union that is based on democratic values, in which fundamental rights have priority over the internal market. The autonomy of the social partners and the role of trade unions to defend workers at all levels must be respected. The right to strike is a legitimate way for workers to defend themselves against employers' and governments' decisions influencing their rights, jobs, pay and working conditions.

A change in the direction of economic policy should be reflected in the Annual Growth Survey. Concretely this entails:

- A new European investment plan, accompanied by the necessary financing instruments such as Eurobonds, to boost the economy, stimulate green jobs and put Europe on a road to sustainable development;
- Measures and guidelines to counter the rise in precarious work and low wages, and to ensure equal pay for work of equal value;
- Approving and implementing the proposals for:
 - A Financial Transactions Tax (FTT) in the EU, as a first step towards a global FTT, contributing to financing public common goods and services. Such a tax should be operational by 2013.

- The Common Consolidated Corporate Tax Base (CCCTB) with a minimum tax rate.
- Introducing proposals for coordinated action to increase taxation on the rich, as already proposed in several countries;
- Stepping up action to end tax havens, and to fight corruption and tax fraud;
- Measures to address the failing banking system, to ensure a functional separation between investment (speculative) and retail and commercial banking, and to end the greedy bonus culture;
- Measures to reduce poverty and social exclusion;
- Promotion of collective bargaining and social dialogue.

The need for a change of direction is clearly demonstrated by the failure of the austerity (fiscal consolidation) measures introduced by Member States. You testified yourself in your speech on Economic Governance to the European Parliament (15 November 2011) that:

“Economic recovery has hit a standstill. Since our last fully-fledged forecast in May, global economic conditions have worsened. Investment and consumption are stagnant and being damaged by a persistent lack of confidence. Growth forecasts are low and unemployment is set to remain at around 10% for the next two years at 23 million people across the European Union in this terrible situation.”

Commissioner Olli Rehn has warned about a recession.

Many have predicted that coordinated austerity programmes would hurt current and future economic growth in the EU. The UN Report on the World Social Situation 2011 states that “(...), austerity measures in response to high government debt in some advanced economies, such as Greece and Spain, are not only threatening public sector employment and social expenditure, but are also making the recovery more uncertain and fragile. Increased pressure for fiscal consolidation and new pressures in response to such debt have severely limited fiscal and policy space in developed economies, restricting their options as the crisis continues. (...)”

Dear Commission President,

Following the Commission’s assessment of the national reform programmes and budgets you stated that: “Many member states need to show more ambition when it comes to fiscal consolidation, (...)” That is completely the wrong focus. You continue to supply the same medicine in ever growing quantities to patients that are ill from another disease. Again I recall the UN Report on the World Social Situation 2011

“It is essential that Governments take into account the likely social implications of their economic policies. It has been shown, time and again, that economic policies considered in isolation from their social outcomes can have dire consequences for poverty, employment, nutrition, health and education, which, in turn, adversely affect long-term sustainable development. The disconnect between economic policies and their social consequences can create a vicious circle of slow growth and poor social progress.”

There was no connection between economic and social policies in the first Annual Growth Survey of the Commission. The emphasis was on fiscal consolidation. The Pact you proposed to European citizens in the first Annual Growth Survey was not one that we supported. You argued in the European Parliament (15 November 2011) for a new Pact. “We cannot do this only through responsibility, we need solidarity. We cannot do this only through financial stability, we need economic growth”.

We look forward therefore to a balanced Annual Growth Survey that shows a change of direction and that can save the European Union from the recession, and possibly even the depression, that will be the inevitable consequence of any continuation in the coordinated austerity approach currently advocated by the Commission.

Yours sincerely,

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EPSU General Secretary

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