

# **Economic Policy Group Meeting Report 20-21 February 2013**

**The meeting included sessions on:**

- **the implementation and process of economic governance**
- **economic governance and wages**
- **taxation**
- **alternative economic policies**
- **drafting a resolution on economic policy for the EPSU Congress**

## **Economic governance**

Christophe Degryse, senior researcher at the ETUI, gave a comprehensive analysis of the development of the system of economic governance and the challenges it poses for trade unions. He looked at to the pressure to change wage setting systems and the threat to collective bargaining autonomy. He also stressed the need for the trade union movement to develop alternative economic policies in more detail, to call for more democracy in the economic governance process and campaign for the ETUC's social compact.

There was some debate about the possibility for EPSU and its affiliates to intervene at key points during the process – around the Annual Growth Survey, the drafting of National Reform Programmes and the country specific recommendations. However, there was so far no significant formal openings for EPSU to get involved and, with the exception of Belgium and perhaps one or two other countries, very few examples at national level of where affiliates or their confederations have been able to intervene.

- [Economic governance - Degryse EN](#)
- [Economic governance - Degryse FR](#)
- [Economic governance REPORT - EN](#)

## **Economic governance and collective bargaining**

Richard Pond of the EPSU secretariat provided a short briefing on the impact of economic governance on collective bargaining, using some material provided by the ETUC and highlighting the pressure to reform wage setting systems. He also reported on the tripartite conference on wages that had taken place on 1 February organised by the European Council's Employment Committee in conjunction with DG Employment.

The narrow focus on wages and competitiveness meant that the economic governance process was skewed towards wage moderation with the emphasis on ensuring that changes in wages are closely linked to productivity with a lack of clarity across the EU institutions about whether these should be nominal or real wages.

DG Employment said that the wages conference was supposed to provide the chance to discuss wages from a broader perspective including equality and employment. However, there was widespread dissatisfaction with the conference from both trade unions and employers, with both side underlining the need to respect the autonomy of the social partners.

The European institutions had been targeting public sector wage systems in particular, claiming that developments in public sector pay often set the pace for pay trends in the public sector. This was not a pattern recognised in the meeting with colleagues from Denmark, Finland, Italy, Spain and France all rejecting this claim.

## **Alternative economic policies**

EPSU and other European trade union organisations have been highly critical of the response of the European institutions to the economic and financial crisis. They have repeatedly argued that austerity measures and being imposed to deeply and to fast and are undermining the roots of recovery. However, with the exception of some very broad references to eurobonds and the need to boost investment, there has not been much detail in these alternative approaches. In order, to begin to fill this policy gap, EPSU invited Mehrdad Payandeh of the DGB trade union confederation and Kristian Weise of the Danish think tank CEVEA, to talk about their

ideas for tackling the economic crisis.

The DGB had drawn up a Marshall Plan for Europe with the aim of improving the growth dynamic across Europe with, at its heart, some €260 billion in investment each year across the continent over a 10-year period. The plan emphasises the importance of maintaining the welfare state and sees this as a “productive force”.

The plan has been drafted with the German economy in mind but the DGB sees it more as a draft plan that can be adapted to the circumstances of other countries. In the case of Germany, the DGB sees investment in the energy industry as a central part of the process and there was some concern about the potential impact of a large expansion in renewable energy, how this would fit with some national energy policies and the impact on consumers.

The plan also talks about preparing cities and communes for aging populations, promoting education and training, modernising and expanding existing public and private infrastructure, supporting initiatives on innovation in industry and services of the future and improving cooperation between European countries.

Mehrdad said the plan put the emphasis on boosting demand and improving competitiveness through innovation, technological improvements and modernising infrastructure, not through clamping down on wages. He added that an important part of the proposals on energy were about reducing usage and to ensure that it is not consumers who pay for a shift in energy use.

Mehrdad argued that the plan was about getting the economy moving and using bonds to finance a massive programme of investment, rather than just having a system of eurobonds to finance debt.

Kristian Weise set out 15 initiatives that he said were key to achieving a turnaround in the European economy and that debt, particularly public debt, was not the central issue. He argued that an investment pact was needed in addition to the Stability and Growth Pact and that the European Central Bank needed a change of mandate so that it wasn't focused so narrowly on the question of inflation. Greater resources needed to be channelled through the European Investment Bank to boost lending to small and medium-sized enterprises.

Kristian's other main proposals included:

- European project bonds for investment in infrastructure;
- re-industrialisation strategy and development of particular growth markets;
- common investment in research and development;
- better design and use of the EU-budget;
- strengthened development in wages as the starting point for increased internal demand;
- an end to debt-pressure and to tax-competition; and
- financial regulation for a more stable and healthier economy.

There was a question about the lack of a specific reference to the public sector in Kristian's 15 points and he said that in some ways there is an assumption that the public sector central to economic recovery and effectively the adoption of a new economic model.

- [DGB Marshall Plan EN](#)
- [DGB Marshall Plan DE](#)
- [DGB Marshall Plan FR](#)
- [DGB Marshall Plan ES](#)
- [DGB Marshall Plan IT](#)
- [Kristian Weise PPT](#)

## **ETUC and coordination in the European Semester**

ETUC deputy general secretary Jozef Niemiec explained how the ETUC was trying to find opportunities to intervene in the various stages of the European Semester. He said that there were few formal channels and last year's informal meeting with representatives of the European Commission had been the first opportunity to comment on the AGS before publication. This had been followed up with a written submission to the Commission.

Jozef said that so far it had not proven very easy to coordinate the process with national confederations mainly because usually they were not consulted over the drafting of National Reform Programmes and had even less of an opportunity to react to the draft country-specific recommendations.

## **Taxation**

Nadja Salson of the EPSU secretariat reported on two important issues. The first was progress towards a Financial Transactions Tax (FTT) and the second was EPSU's campaign against tax fraud.

### **Financial Transactions Tax**

In one of the most positive developments since the beginning of the economic and financial crisis, the European Commission has taken steps towards an FTT in Europe. The International Monetary Fund has also shifted its position and was now more positive about the idea of the FTT.

Eleven EU Member States have responded to the initiative and agreed to work towards implement an FTT through the process of enhanced cooperation and so the FTT campaign needs to focus on how this will be done and to get more countries to follow suit.

The important issues to clarify will be where the FTT revenue goes with the target social goods and services rather than any bailouts for the private finance sector. Important of tax is also to regulate finance sector and stop excessive dealing in shares and other financial instruments and for this reason it was seen as legitimate to apply to pension funds as well because these should be investing for the long term.

### **Tax campaign**

EPSU's updated Tax Justice Charter adopted in 2010 underlined the important of action to clamp down on tax fraud and the campaign launched in November 2011 will build on a number of initiatives that EPSU affiliates had already been taking at national level in several countries, including Belgium, Denmark, Germany, Austria, Lithuania and the UK. The campaign would highlight the missing €1 trillion lost to public revenues each year and put the spotlight on some of the big tax dodging

companies.

The European Commission was also stressing the need to tackle tax fraud and had produced an action plan on tax. While this was seen as a positive move there was nothing in the plan about the level of resources or staffing needed to deal effectively with tax fraud not recognition of the impact of austerity measures. As part of the campaign EPSU had commissioned research showing over 50,000 jobs had been cut from tax administrations across Europe between 2007 and 2011.

EPSU would be making these points in its submission to the Commission on the action plan. This would also point that the plan only refers to tax havens outside the EU and makes no proposal on clamping down on Member States that can be classed as tax havens. The submission would also propose tougher sanctions on tax dodgers including banning companies from access to public contracts. EPSU would also call for more consultation over tax issues and a role for trade unions in committees or groups set up to deal with tax issues.

## **Key points for an EPSU Congress resolution on economic policy**

Richard Pond outlined the plans for the 2014 Congress and some of the main ideas that could feature in a resolution on economic policy. This could include:

- Ensure no return to “business as usual”
- Change perspective in EU on roles of public spending, public investment and taxation
- Recognise failure of European institutions/IMF to ensure a sustainable and balanced economic recovery
- Note the major problems with economic governance – lack of democracy and inclusion of social and environmental questions
- Need to consider more fundamental issues about growth
- Ensure that any re-negotiation process of the existing Treaties shall reflect our vision of and alternative Europe, be an open and transparent process and include a role for trade unions in important areas such as economic governance and social policy.

While there was no major disagreement with the key points outline it was suggested that the resolution should be clear about the priorities for EPSU work in this area and make clear the link to public services.

## **Role of the Economic Policy Group**

EPSU had organised four meetings since the beginning of 2011 to discuss a range of economic policy issues and provide an informal opportunity for debate before matters are taken up in the Executive Committee. It was also hoped to be able to tap into the economic expertise available at national level. Attendance at meetings had been mixed and participation at the most recent meetings disappointingly low.

It was proposed that the group could operate as a network providing comments and responses to draft EPSU documents on economic policy without necessarily having to meet at specific times during the European Semester such as pre- and post-Annual Growth Survey and that the possibility of convening a meeting should be kept under review depending on the issues that need to addressed.

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