# Economic Policy Group debates impact of economic governance

Eighteen participants from 14 countries came together at the end of November to debate the latest economic policies emerging from the European institutions and to report on their national situation.

The meeting was chaired by Ivan Kokalov of FHS-CITUB who explained the situation in Bulgaria with trade unions having organised a nationwide protest against the decision to start increasing retirement ages from 2012. This goes against an agreement on pension reform negotiated with trade unions and employers that didn’t foresee any increase until 2021. There was also a major industrial conflict over reform of the rail system with both union confederations supporting strike action to defend the collective agreement and in opposition to threats of cuts to jobs and services. The employers were also trying to get the action declared illegal.

## Introductory remarks

*Jan Willem Goudriaan, Deputy General Secretary EPSU*

The meeting was taking place at the time of mobilizations across Europe with major strikes in the UK, Greece and Portugal and a range of anti-austerity actions and demonstrations organized by EPSU affiliates. The co-ordination of austerity was at the centre of the European Semester and the new system of economic governance and it was vital that EPSU and its affiliates were able to respond to the challenges posed by this new system.

## Austerity and economic trends

*Richard Pond, Policy Staff EPSU*

The scale of public spending cuts across Europe was highlighted but it was not just a question of a major attack on public services but was also having a negative influence on economic growth. Recent forecasts from the Commission’s Directorate for Economic and Financial Affairs (DG ECFIN) indicated a slowdown across Europe and the Eurozone and the possibility of a double-dip recession. Most EU countries had not recouped the GDP lost during the crisis and unemployment was still higher than in 2008 in all but three countries (see presentation below).

- Austerity and economic trends

## Economic governance – the various measures implemented and proposed

*Jan Willem Goudriaan, Deputy General Secretary EPSU*

A whole raft of measures had been agreed and implemented by the European institutions in response to the crisis, with the original economic governance "six-pack" of measures now about to be supplemented with two new proposals. The Commission had also now acknowledged the need to consider the introduction of Eurobonds in order to stabilize the euro and had published a green paper with three proposals (see presentation below).

- Economic governance

## Economic governance and the threat to collective bargaining

*Luca Visentini, Confederal Secretary, ETUC*

The ETUC was concerned about the implications of economic governance for collective bargaining and the possibility of government intervention in wage policy, backed by the European institutions. For the ETUC it was important to step up efforts for better coordination of collective bargaining at European, national and regional level and in response to pressure from affiliates in Central and Eastern Europe to develop policy on minimum wages.

The ETUC winter school would discuss proposals for a major ETUC campaign early in 2012 and EPSU and the other trade union federations would be invited to take part in a series of meetings looking at developments in transnational and regional bargaining. Colleagues from Italy and Norway raised the issues of financial market speculation and Eurobonds and Luca explained that the ETUC believed that Eurobonds were essential as a response to the Euro crisis even if they would involve a greater role for the European institutions in economic governance. He also reaffirmed the importance of a financial transactions tax in helping to dampen down excessive speculation.

## The Annual Growth Survey and National Reform Programmes

*Philippe Pochet, Director ETUI and Christophe Degryse, Senior Researcher ETUI*

The Annual Growth Survey was part of the European Semester and sets out the main areas of policy for EU Member States to follow. However, it is part of a complex web of guidelines and targets and overlaps with the EU2020 agenda as well as “modernizing public administration”. The ETUI had carried out an analysis of the National Reform Programmes (NRPs) that governments had produced in response to the AGS 2011, focusing in particular on policies with an impact on EPSU sectors.

The key policy and common recommendation for all countries was fiscal consolidation while an examination of some of the other policy areas suggested some inconsistency in the approach of the Commission. It was also evident that there was a major gap in terms of any reference to the need to tackle climate change.

To some extent the NRPs were bureaucratic exercises and were written by governments often to fit in with Commission priorities although it was also likely that some governments would aim to influence Commission recommendations in order to gain support for their domestic policies. It was clear that there were some important areas of policy that did not feature such as the major labour reforms that several countries had implemented and organizations like the European Anti-Poverty Network had criticized the AGS for failing to say anything substantial about tackling poverty.

The AGS 2012 had been drafted quickly and there was some question as to the

quality of its content and the concern that the AGS may be partly overlapped or overtaken by new policy initiatives. However, in the discussion it was pointed out that there were some positive things that could be taken from it, in particular the references to the need to take action to tackle unemployment.
Overall a key question remained about the democratic element of economic governance and the European Semester and the role that national parliaments and the European Parliament and social partners can and should play in the process (see presentation below).

## National reports

Participants provided an overview of some of the key developments in their country. It was clear that, while some of the main debates covered issues addressed in the Annual Growth Survey (AGS)and the National Reform Programmes (NRP), neither the AGS nor the NRP were themselves matters of major political or trade union debate at national level.

## Belgium

Jean-Paul Devos of the CSC provided some background on the political situation in Belgium where a new government was likely to be formed and budget agreed under pressure from the European Commission. The country had managed to weather the worst of the recession and this could partly be traced to the competition law that kept wages in line with developments in neighbouring countries. Despite this apparent success the question of wage indexation was still being raised by the Commission and would be the subject of a study by the Belgian central bank. The budget measures had not been announced in detail but unions were concerned about the possible impact on pensions and pay and employment in the public service. The unions were organizing a national demonstration on 2 December and were not ruling out strike action.

## Estonia

Kalle Liivämägi of ROTAL said that Estonia had been one of the first countries to suffer austerity measures but that there had been a return to growth in the second quarter of 2010 after nine quarters of decline, although GDP was still 12% lower in real terms than before the crisis. Salaries were not keeping pace with inflation. In the state sector a basic salary freeze had been imposed for four years and negotiations were very difficult in fact there had been no tripartite negotiations over austerity measures.

## Lithuania

Juozas Neverauskas of LEDPSF reported that economic growth was currently around 3.5% but despite this some of the biggest companies were leaving the country. Migration had increased with around 84,000 leaving the country in 2010. The minimum wage was below the poverty line and the government had only proposed a small increase while also allowing for a massive extension of working hours up to 78 a week. As a result unions were planning a day of action on 10 December with calls to increase the minimum wage, basic monthly salary and cut taxes.

## Finland

Kenneth Snellman of TEHY explained that one of the main issues for the new six-party coalition continued to be the question of the ageing population which was more urgent in Finland than any other EU country. The economy had been doing well with GDP growth of more than 3% in 2011. There had been some cuts in the public sector with reductions in the allocation to local authorities due in 2012. Some local layoffs were possible but the government had improved unemployment protection for young and older unemployed and there were measures providing training for unemployed workers. Collective agreements had been concluded in the public sector – 2.4% in 2012, 1.9% in 2013, 25-month agreement including various social improvements, with paternity leave increased to 54 days.

## France

Dominique Pognon of the CGT said that austerity measures had been undertaken virtually since President Sarkozy was elected in 2007. Now there were new measures almost every day. Three unions were coordinating action on 30 November while four would be involved in action on 13 December with a focus on redistribution, an end to austerity and action to tackle speculation.

## Italy

Vincenzo Di Biasi of FP-CGIL reported that it was positive that Berlusconi was no longer prime minster but major challenges remained. There would be further changes to pensions, for example. Public sector revenues exceeded expenditure except for the high level of debt repayments. Collective bargaining in the public sector had been frozen until 2014. Unions were drawing up a programme for collective bargaining based on framework agreements but the full plans had not yet been finalized.

## Spain

Pepe Galvez of the FSC-CCOO said it was difficult to summarise recent developments but public spending was under pressure from high interest payments. The recent election had put the right in power but they had only seen a 2% increase in votes while the socialists had lost a large percentage. Constitutional reform introducing the debt brake had been implemented with little open debate. The pressure on public services was being particularly felt in the health and social services sector while one of the main challenges was the very high level of youth unemployment that had been generating protest from trade unions and other movements.

## Denmark

Per Brøgger Jenson of the OAO said that things had changed since the election with a broad coalition government led by the Social Democrats. They had ended the freeze on increasing taxes. There was still a focus on the need for more public sector efficiency but also on the question of long-term growth and investment in education and training. There was the possibility that the Danish government would make this a priority during its six-month EU presidency that would begin in January 2012.

## Poland

Andrzej Niderla of FZZPGKIT was able to report on a relatively good economic situation with GDP up by 4% in 2011 and even pessimistic forecasts for 2012 of around 3%. Unemployment was around 12% but this was not so problematic in comparison to earlier periods. There had been significant emigration but this meant a large amount of income from abroad in terms of remittances. Despite the economic outlook the government was still planning to reform pensions with an increase in retirement age to 67 for men (+ 2 years) and women (+ 7 years).

## UK

Sarah Clarkson of the GMB said that EU approach was very similar to that adopted by the UK government with the focus on austerity but the UK government was very opportunistic in the way that it used EU policy to support its positions. The UK NRP provided the bare minimum of information, mostly indicating that the government was already doing a good job although in some cases, such as poverty, refusing to adopt specific targets. There was a huge level of discontent among public sector workers and 23 unions had voted for strike action on 30 November over pensions.

In summing up, the chair, Ivan Kokalov, emphasized the need to rebuild solidarity and resist the pressure of the mainly right-wing governments around Europe. As public service trade unions the challenge for EPSU affiliates was also to focus on public services as part of a response to poverty under the EU 2020 strategy. Another common issue was pension reforms which were also on the table in Bulgaria. For trade unions an important part of the response to the pensions challenge was the need to increase employment.

## Concluding remarks

There were a number of issues up for debate in terms of potential responses to the crisis these included:

• the pros and cons of Eurobonds,

• a European public bank,

• the prospect of more and more binding coordination as economic governance rules were implemented,

• the possible creation of an EU finance commissioner or “enforcer”,

• the spread of initiatives driven by certain governments (like the Euro Plus Pact) rather than the Commission or Council,

• the question of auditing national debt to see whether some debt could be deemed “invalid”,

• whether the ECB had overstepped its mandate in terms of its comments and recommendations on pay and public services and if this was worth a legal challenge,

• the wage safeguard clause and whether it would work,

• the need to engage with other activists and campaigning organizations, and

• what kind of lobbying and campaigning would it be possible to coordinate across Europe on some of these issues.

Participants were invited to read the background documents on these questions before the follow up meeting that would take place in Brussels on 7 February 2012. They were also asked to look at their Natonal Reform Programmes and the Annual Growth Survey to see what elements could be the focus of further work and campaigning such as the statements on the positive employment prospects in health and social services.

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