Introduction

This note was prepared for the ILO/EC conference 21-22 June 2012 on “Adjustments in the Public Sector in Europe: Scope, Effects and Policy Issues”.

Over 100 trade union and employer representatives, researchers and government officials met in Brussels on 21-22 June to debate a major new study that exposes the impact of austerity measures on workers, public services and social dialogue in the public sector.

The study commissioned by the International Labour Organisation (ILO) and the European Commission provides detailed evidence on 15 countries. The damage inflicted is not just on the pay and conditions of public service workers but also on the quality of the services they provide as well as the process of social dialogue. The findings also raise serious concerns about the long-term effects.

Professor Daniel Vaughan-Whitehead, the project co-ordinator, introduced the report, highlighting some of the main findings:

- Some governments were guilty of a lack of planning and transparency in the reforms and restructuring they were carrying out.
- There was evidence of an increase in low pay in some countries along with other factors, like cutbacks in training, that were creating problems for recruitment and retention.
- Short-term changes were being implemented without a full appreciation of the long-term costs.
- While some countries were looking to privatise and outsource services, the research raised questions about the extent to which there was clear evidence that these processes would deliver greater efficiency or cost savings without jeopardising quality.
- There had been a widespread failure to assess impact of reforms before they are undertaken.
- Broadly the tendency had been for governments to cut public expenditure rather than consider ways of to increase revenues.
- There was clear evidence of an impoverishment of social dialogue and need to take action to strengthen or even start rebuilding social dialogue in some countries.

The 15 country studies that followed provide plenty of detail to support these key conclusions.

EPSU representatives from nearly all EU Member States and Candidate Countries took part and several were able to contribute to the various discussions. Three members of the Executive Committee commented on specific sessions.
EPSU briefing for the ILO/EC conference 21-22 June 2012
“Adjustments in the Public Sector in Europe:
Scope, Effects and Policy Issues”

- Richard Holzer from GÖD in Austria challenged a speaker from the Irish employers’ organisation and argued that public sector unions were conscious of the need to improve efficiency but were doubtful of the lessons that could be learnt from a private sector that had been responsible for the financial and economic crisis.

- Rosa Pavanelli from FP-CGIL in Italy said that the situation in Italy reflected the situation in many other European countries with a government making positive statements about the need for public investment and social dialogue while failing to take any real steps to promote either in practice.

- Cristina Iftimescu from the Sanitas health union in Romania warned of the potential long-term damage being caused by the current restructuring, underlining the difficulties already created by large-scale emigration of health workers from her country and other parts of Central and Eastern Europe.

EPSU general secretary Carola Fischbach-Pyttel took part in a panel discussion on the European sectorial social dialogue with representatives of the CEMR local government and EUAPE central government employer organisations. The debate focused on the ways that EPSU and the employers had worked together on key issues like restructuring and how there was potential for further cooperation in the future on important themes such as sustainable development.


The conference discussion will feed into the next “Industrial Relations in Europe report” which will concentrate on developments in the public sector (as well as the ILO’s global wage report). The “Industrial relations in Europe” reports are published every two years. The PR to the 2010 report noted that “The crisis-induced increases in public debt led several governments to adopt fiscal consolidation programmes affecting the public sector. Public sector wages were frozen or cut to different degrees in Belgium, Slovenia, Estonia, Latvia, Lithuania, Romania, Bulgaria, Greece, Hungary, Ireland, France, Italy, the Netherlands, Portugal, Spain and the UK. With the exception of Belgium and Slovenia, these measures were imposed rather than negotiated between employers and trade unions. Protest by public-sector employees followed in a number of counties, including public-sector strikes in France, Greece, Ireland, Italy, Portugal, Romania and Spain. As the debate about the distribution of the costs of the crisis continues, there is further potential for social conflict arising from the impact of the cuts in public expenditure, especially in the absence of effective social dialogue. There is also a gender dimension to consider: While the first phase of the crisis was felt most in the private sector and affected men proportionally more than women, public sector cuts tend to affect women more than men due to the structure of employment in the sector.” However the report itself did not address the question why social dialogue failed in so many countries or what the EU can do to address this.

The note recalls EPSU policy positions and other papers relevant to the Conference theme and it reiterates our demands for a EU framework for quality public services, quality jobs, and quality social dialogue.


EPSU raised the [http://www.epsu.org/a/6819](http://www.epsu.org/a/6819) with Commissioner Reding the gender dimension to austerity, for her reply see.
Austerity and economic governance

The EPSU Executive Committee has adopted many positions in relation to economic governance. For an overview of the key points see the “Position of the European Federation of Public Service Unions on Recent European Economic policy developments” from the November 2011 meeting http://www.epsu.org/IMG/pdf/it_9.2.a_II_EPSU_Position_on_recent_EU_policy_dvps.pdf

The ETUI trade union research institute has also mapped labour law reforms in various European countries either triggered by the crisis or introduced using the crisis – falsely – as an excuse. In several countries fundamental changes are being made to industrial relations structures and processes which might jeopardise social dialogue and collective bargaining there. Read more at > ETUI (EN)

In the European Commission’s latest Employment Package the idea of a minimum wage to safeguard the bottom of the labour market and help underpin more balanced wage developments has been put forward. A recent ETUI policy brief analyses trends in minimum wages across Europe in the light of the economic crisis. In most European countries, workers earning the minimum wage suffered losses – in some cases quite considerable losses – in real pay. This reflects not least the fact that, in the context of austerity policies, minimum wage policy has been used to slow overall wage increases. This has served to exacerbate the demand-depressing effects of austerity policies and is one factor behind the economic stagnation that much of Europe is experiencing. See the briefing here Download

The European Commission as well as the European Central Bank continue to stress the importance of flexibility on the labour market linking this with productivity developments taking account of different sector and regions within a country. Also the emphasis on promoting mobility and skills must be seen in the light of the efforts of the Commission to create a flexible labour market and ensure that adjustments also take place through mobility. (see below)

On 30 May the European Commission published a package of country recommendations under the EU2020 strategy and in the context of Economic Governance. An analysis by the ETUC exposes very clearly the extent to which the Commission sees wages as a key factor in economic adjustments and achieving increased competitiveness. The Commission is challenging systems of wage indexation, the level of minimum wages (even those set by collective agreement) and wants to see wages linked more closely to productivity, irrespective of developments in inflation. The productivity question has very serious implications for low productivity sectors and the public services, in particular, where there are no reliable ways of measuring productivity. As the ETUC note points out the European Commission is continuing to pose these serious challenges to national systems of wage determination while claiming to respect the autonomy of the social partners and national industrial relations. A summary of the main points can be found on the EPSU website: http://www.epsu.org/a/8762

The Commission is further focusing on structural reforms in its Annual Growth Survey and Country Specific Recommendations which includes for many countries opening up network industries and implementing the Service Directive. (See below in the section on liberalisation of public services)

The economic governance measures should respect the autonomy of the social partners (6 pack and 2 pack). EPSU/ETUC have been lobbying for an amendment to the 2 pack (surveillance and monitoring of national budgets) to this effect. The EP Economic and Monetary Committee already adopted the following amendment.
2a. The application of this Regulation shall fully observe Article 152 TFEU, and the recommendations issued under this Regulation shall respect national practices and institutions for wage formation. This Regulation takes into account Article 28 of the Charter of Fundamental Rights of the European Union, and accordingly does not affect the right to negotiate, conclude or enforce collective agreements or to take collective action in accordance with national law and practices.

Restructuring in the public sector

The choice of the word ‘adjustments’ in the Conference title is a neutral expression to describe the widespread restructuring that is taking place across Europe in terms of public sector employment, workers rights and public services. EPSU has documented much of this, e.g., in the EPSU report “The wrong Target” http://www.epsu.org/a/4506 on the impact of the cuts; in “Widening the gap” http://www.epsu.org/a/7891 on the impact on women in particular; and the EPSU-ETUI report on National Reform Programmes http://www.epsu.org/a/8459. The wide range of trade union actions that have taken place in protest against austerity measures and attacks on public sector workers and citizens are also documented, see e.g., EPSU list of country actions took place around 30 November 2011 http://www.epsu.org/a/8178.

The Conference will provide an important opportunity to exchange and update information on national developments and to reflect on responses: what can we do together – including as social partners - to anticipate and give direction to these ‘adjustments’? The EC has clearly recognised the need for social dialogue. What do we want Europe to do to support this?

The EU legal framework provides a number of ‘hooks’ to support our demands, e.g.:

- Article 9 on ‘mainstreaming’ social issues in all EU policies
- Treaty article 14 on Services of General Economic Interest (SGEI) as well as the Protocol No 26 on SGI, which gives the EU and Member States a shared responsibility for “a high level of quality, safety and affordability, equal treatment and the promotion of universal access and of user rights” in public services, including public administration
- Articles 152-155 on social dialogue, which give the European Commission the responsibility to promote the consultation of social partners and facilitate the social dialogue
- The Charter of Fundamental Rights (which covers workers’ rights and access to public services)
- The principles of good governance (openness, participation, accountability, effectiveness and coherence) set out in the 2001 White Paper on European Governance

In March 2012 EPSU responded to the EC Green Paper on restructuring and anticipation of change see http://www.epsu.org/a/8735. In the EPSU position we underline that improvements are needed in the EU and national frameworks on restructuring especially as European employment is again on a downward trend and there is growing evidence that the most vulnerable and low-paid workers are bearing the brunt of the impact of fiscal consolidation and austerity measures. The EPSU position calls for:

- A long-term approach including investment in public services and infrastructure; green jobs towards sustainable development
- Reduction of poverty and social exclusion, address precarious work and low wages, equal pay for work of equal value

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2 EC employment and social situation quarterly reviews, Dec. 2011
• respect for collective agreements, collective bargaining and social dialogue both at all levels
• focus on fair, progressive and efficient taxation systems (FTT, common consolidated corporate tax base and common corporate tax rate, tax on the rich, tax evasion/fraud/corruption)
• democratic debate

Both the EU Central Government Administration (CGA) and Local and Regional Government (LRG) social dialogue Committees also adopted joint positions. In the CGA Committee the social partners recall the importance of the EU Charter of fundamental rights and relevant ILO Conventions for the public sector such as C151. They also state “At EU level, given the impact of the new EU economic governance for the functioning, funding, employment levels and working conditions in central government administrations, social partners from all public services social dialogue committees should be involved with a view to at least examine the restructuring implications of the EU economic governance for:

a. Jobs levels and workforce planning,
b. pay and other working conditions,
c. work organisation,
d. health and safety,
e. trade union rights,
f. Gender equality
g. Civil servants and contractual staff (where this distinction applies)
h. Outsourcing,
i. Long term public administrations’ operational capacity and attractiveness2,
j. Long term sustainability of the overall economy and social cohesion.”


EPSU has also drafted a statement on the European Commission’s 2012 Annual Growth Survey and the specific proposals for the modernisation of public administration. For the statement and EC reply see http://www.epsu.org/a/8442.

The EPSU Executive Committee adopted in April 2012 a position on the EC Communication “A Quality Framework for Services of General Interest in Europe”. See http://www.epsu.org/a/8681 The Communication accompanied proposals on public procurement, concessions, and State aid for public services. The EPSU position notes that the EC Communication is more of a ‘market’ framework than ‘quality’ framework. While the introduction recognises the ‘fundamental role’ of public services (services of general interest – SGI) in terms of ensuring social cohesion, providing a safety net and supporting the knowledge economy, the Communication falls short on practical proposals on how to fulfill this role. There is no analysis, or reflection, on how the new EU Treaty provisions (Charter of Fundamental Rights, Protocol 26 on SGI, Article 14, increased recognition of social dialogue) might be used to safeguard and underpin public services as a fundamental part of the EU social model and sustainable development. Furthermore, while the Annual Growth Survey (and recently also the Stoiber ‘Better regulation’ group) picks up the issue of public sector reform, this is not linked in any way to the EC Communication.

Liberalisation of public services

Behind the economic crisis and cuts in public services and employment lies the ideological battle over liberalisation. The EU since the 1980s has given priority to the development of the Internal Market and competition policy, playing down the role of public services and the
public sector in social and economic development (see ppt from PSIRU at http://www.epsu.org/a/8259). This has been supported by the myth that public = inefficient and private = innovative. In fact, rather than being a ‘drain’ on the ‘real’ economy, public spending drives development and indeed innovation. Furthermore, organising and financing certain services (e.g., healthcare) collectively, as public services, gives more efficient outcomes, as a comparison between the US healthcare system and a more public system will demonstrate. EPSU has published and contributed to much ‘evidence-based’ research on the impact of liberalisation http://www.epsu.org/r/232 as well as the alternatives to it, including in our Public Services Monitor http://www.epsu.org/r/578. More positively, there are many examples of the remunicipalization taking place, especially in water and energy services. EPSU has been examining this trend, including regarding the employment implications see http://www.epsu.org/a/8688

The European Council of 30 January 2012 renewed the emphasis on competition in network industries. According to a spokesperson of the Council we contacted, no sector is excluded a priori.

Quality of work and working life

Quality of work is a topic where ILO and EU work should further develop. Quality and quantity of work are not a contradiction and indeed this was the rational for the EU “more and better jobs” strategy. With the focus on growth and job creation, it is important not to lose sight of this important principle. Furthermore, even if the European Commission has come forward with proposals for an employment package, these can only bear fruit if accompanied by investments into quality jobs in both the private and public sectors. These are urgently needed, and especially for young people. Chancellor Merkel argues that growth and fiscal consolidation are ‘two sides of the same coin’ but it is by no means clear how these objectives will be reconciled. EPSU also agrees with the ETUC that too much emphasis is placed on ‘structural’ labour market reforms, which is another term for more deregulation, including of collective bargaining systems.

Back in 1993 (!!) the EC did actually publish an Opinion on equitable wages COM(93)388, in follow-up to 1989 Community Charter of the Fundamental Social Rights of Workers which states that all employment shall be fairly remunerated. In the following years the EC identified 10 ‘dimensions’ of job quality, and accompanying indicators. The 10 dimensions relate to:

- Intrinsic job quality (includes pay level indicators);
- Skills, training;
- Gender equality;
- Health and safety;
- Flexibility and security;
- Access to labour market;
- Work organisation and work-life balance;

3 Recent studies reported in the Monitor include “Effects of contracting out public sector tasks - a research-based review of Danish and international studies from 2000–2011, Ole Helby Petersen, Ulf Hjelmar, Karsten Vrangbaek & Lisa la Cour” at studies published since 2000 on the impact of outsourcing. The review considers the evidence in terms of cost savings, impact on quality and outcomes for the employees affected, and also looks at possible differences in between services. The findings of this major review call into question the benefits of getting the private sector to deliver public services.

4 See Communication 2001COM(2001) 313 final. As a follow-up to this a list of indicators was approved by the Council and communicated to the Laeken European Council in December 2001 (Indicators of Quality in Work, Report by the Employment Committee to the Council, 14263/01, 23.11.2001
• Social dialogue and worker involvement (and including collective bargaining);
• Non discrimination;
• Overall work performance

A number of other European organisations including Eurofound and the ETUI have done substantial work in this area too. Together with the ILO’s “decent work” concept (which includes social protection) these dimensions provide a common framework for improving the quality of employment. Currently the EU public procurement Directives are being revised and one of EPSU’s aims is to make it easier to use procurement to support quality of work objectives, including respect for collective agreements. Here EPSU is campaigning with others for ILO Conventions to be referenced in the Directive, including ILO C 94 on social clause in public contracts – see [http://www.epsu.org/IMG/pdf/pay_clauses_EPSU_April_2012_TS.pdf](http://www.epsu.org/IMG/pdf/pay_clauses_EPSU_April_2012_TS.pdf). EU action plans and/or targets to support national/sectoral negotiations and collective bargaining coverage could also be considered. At the ETUC Executive Committee on 5-6 June 21012, Commissioner Andor, when questioned about the current lack of social dialogue in many countries said that the EC had to promote social dialogue but at the same time respect the diversity of national industrial relations systems. He added that some Member States “seem to be ideologically opposed to social dialogue…” but gave no indication that the EC is considering to counter this by ‘activating’ the Charter of Fundamental Rights and the Treaty provision that gives the EU and not just the EC (i.e., the Council and the EP) the duty to support social dialogue.

Towards sustainable development

EPSU has also worked on climate change agenda and the role of public services in mitigating and responding to the problems. We published a report on the “Impact of Climate Change on Public Services” in April 2011. A major issue is the investment that is needed in public services to prepare society for the consequences of an increase of 2 degrees in global temperature in 2100 (4 degrees increase on the basis of current scenarios if no international breakthrough is made to curb CO2 emissions). This is called adaptation. This investment is lacking due to the way in which the financial and economic crisis is handled with an emphasis on austerity. EPSU/ETUC have argued that investing in a Green Economy and green jobs is a way out of the crisis. [http://www.epsu.org/IMG/pdf/climate_change_FINALreport_0511_-_EN.pdf](http://www.epsu.org/IMG/pdf/climate_change_FINALreport_0511_-_EN.pdf)

Key points

To sum up:

- Public services are fundamental for well-being, quality of life and a fairer and more sustainable society;
- Quality of work, including workers’ rights and social dialogue goes hand in hand with quality services;
- Funding and organising public services ‘collectively’ makes sense for social, economic, and democratic reasons; there is much evidence to show that liberalising and outsourcing public services, e.g. through public procurement or public private partnerships (PPPs), does not make them better, cheaper or more responsive to citizens needs and aspirations;
- ILO Conventions are very relevant for Europe; EU and international law needs to be complementary;
- Adequate and sustainable funding for public services is essential.
- The social partners role in restructuring matters must be nurtured.
- Improvements in the EU and national frameworks on restructuring are needed especially as European employment is again on a downward trend and there is growing evidence that the most vulnerable and low-paid workers are bearing the brunt of the impact of fiscal consolidation and austerity measures.
- Investment in public services and green jobs is a key element of a strategy to recover from the economic crisis.
- Autonomy of the social partners in wage negotiations is to be stressed. The ECB, the Commission or the Troika (EC, IMF, ECB) are not to intervene.
- The right to strike for public service workers is to be respected in line with the ILO rulings and the verdicts of the European Court on Human Rights.