

*The New EU Economic Governance and its impact on the  
National Collective Bargaining Systems*

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1. The project "GOCOBA": a brief presentation
2. Summary of main findings
3. Austerity and Public Sector Employment in Portugal, Greece and Spain

*The project "GOCOBA" : a brief presentation*

- EU funded project (VS/2013/0356): Nov. 2013-Nov. 2014
  
- Aimed at addressing **four basic questions**:
  - ❖ What has been the process of **implementation** of the **New EU Economic Governance** in six countries (BU, EL, ES, FR, IT and PO)?
  
  - ❖ What have been the **main measures** of the governance agenda related to national **collective bargaining systems**, in terms of structures, procedures, and contents?
  
  - ❖ What have been the main **social impacts** of the implementation of austerity measures?
  
  - ❖ What could be done in order to **improve the economic governance** and the **role of industrial relations** in its development?

1. **Six country dossiers** (Bulgaria, France, Greece, Portugal, Italy and Spain), based on a similar scheme, and developed through **desk-job** by the national experts
2. **Three international events** to present the country dossiers and its discussion among experts, social partners and practitioners (Athens, Paris, Madrid)
3. **Publication and dissemination** of the **final report** (EN) and the **Executive Summary** (BU, EN, ES, EL, FR, IT, PO)

**Full report (EN) can be downloaded at:**

**<http://www.1mayo.ccoo.es/nova/files/1018/GocobaOKfinal.pdf>**

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+ 2 external experts: AK (Austria) and ISCTE (Portugal)

*Summary of main findings*

- The governance agenda has been adopted unilaterally by the National Governments **without have been subjected previously to an in-depth debate** in the National Parliaments
  
- The role of the **tripartite social dialogue has not been homogeneous** in the development of the governance agenda:
  - No real involvement of the social partners: BU, IT, EL
  - Changing role of the tripartite social dialogue: ES
  - Legitimation through the involvement of the social partners, with one relevant exception (*CGTP*): PO
  - Social concertation through the "Social Conferences": FR

- Prevalence of an **Austerity-oriented approach**, based in a threefold **line of action**:
  - ❖ Measures of **harsh fiscal consolidation**, including reductions in wages, pensions, health, education, operational expenditure and public investment, and combined with increases of direct and indirect taxes;
  - ❖ **Structural reforms** of the labour and products markets;
  - ❖ Measures aimed to the **stabilization** and the rescue -in some cases- of the **financial system**
- ❖ **Different scale and intensity of the process**, being the two countries more strictly subjected to the external intervention -**Greece and Portugal**- those where the length and depth of the enacted austerity measures has been higher

<b>Decentralization of the collective bargaining</b>	<b>BG</b>	<b>EL</b>	<b>ES</b>	<b>IT</b>	<b>FR</b>	<b>PO</b>
Facilitating derogation and/or modifications of firm-level agreements from sectoral agreements	X	X	X	x	X	X
Suspension of the favourability principle, affecting the relation between sectoral and company agreements		X	X			
More restrictive criteria for the extension of collective agreements	X	X				X
Reducing the duration of collective agreements		X		X		
Reducing the period of validity of an agreement after its expiry		X	X			X
The extension of the possibility for non-union employee representation to conclude agreements at company level		X	X			
<b>Other measures related to wage-setting</b>						
Reform and even removal of legal or autonomous indexation mechanisms (linking wage growth to prices), setting productivity as the only reference	X					
Changes in minimum wages setting/procedures, in procedures, level and scope		X				
Cutting and/or freezes the minimum wage	X	X	X			X
Cutting and/or freezes of public sector wages	X	X	X	X	X	X
<b>Other measures related to industrial relations</b>						
Abolition or diminution of the role of certain (tripartite) social dialogue institutions, with the government withdrawing from such bodies	X	X	X			
More stringent criteria for social partners organizations representativeness	X		X	X		X

*"A frontal assault on multi-employer bargaining systems" (Marginson)*

- **Recessionary impact** of the austerity policies, due to the negative effect of the fiscal consolidation measures and the induced wage devaluation upon effective aggregate demand
  
- **Uncertainty** regarding the economic recovery (risk of **deflation** and even of a **third recession**)
  
- **Dramatic deterioration** of the labour market situation:
  - Strong **destruction of employment** and growing levels of unemployment
  - Sharp rising of **long-term unemployment** (risk of hysteresis)
  - Rising of **precariousness**: most of (few) jobs created are based on atypical contracts (temporary and involuntariary part time)
  - **Lowering** of the coverage rate of **unemployment benefits**

- The dynamic on of the collective bargaining in the **private sector** has noticeably worsened
  - ❖ **Decline** in the number of **collective agreements**
  - ❖ **Fall** in the number of **extension** decisions of collective agreements
  
- The process of **decentralization of the collective bargaining** has accelerated through a twofold track:
  - ❖ **Rising** in the number of **company-level agreements**, and the decline of the sectoral ones
  - ❖ Significant increasing of the **derogations** of sectoral collective agreements at company level

- Towards the consolidation of an **authoritarian model of industrial relations**
  - ❖ Legal reforms favouring the exaltation of **employers' unilateral power** of regulation of working conditions
  
- The economic and financial crisis has put **industrial relations in the public sector under strain**
  - ❖ Stronger scrutiny of the effectiveness and efficiency of public expenditure
  - ❖ The role of key stakeholders such as public sector trade unions has been challenged
  - ❖ Formally autonomous employers, with devolved authority, have been subject to tight financial and managerial control from the centre of government.

- Strong process of **wage devaluation**
  
- Increasing levels of **poverty** and **in-work poverty**
  
- Rising of **inequality**
  
- Growing social **unrest**
  - ❖ Industrial action
  - ❖ Massive social protests

## *Austerity and Public Sector Employment in Portugal*

- **Previous structural reform process** of the Public Administration launched in 2005
  
- **"Austerity tipping point":**
  - ❖ Shift from constraint to **escalating cutbacks** in every area of budgetary support for public administration
  
  - ❖ Convergent **reconfiguration of industrial relations** in both the public and private sector
  
- **Two phases:**
  - ❖ Programmes for Stability and Growth (**PEC 1 to 4**): 2010-2011
  
  - ❖ External intervention: Memorandum of Understanding (**MoU**) signed with the Troika in order to obtain €78 billion of financial assistance: 2011-2014

- Sustainable **fiscal policy**
- Stabilization of the **financial sector**
- **Fiscal-structural** reforms
- **Labor market** reform and **liberalization of markets in goods and services** (energy, telecommunications and postal services, transport)
- Adjustment of the **housing market**
- **Judicial** reform

- **Freezing** of public servants **wages** and salaries and **careers**
- **Reduction** of payment for **over-time work** by 50%
- **Cuts** in **nominal wages** and salaries (initially 3.5 - 10%, now 3.5 - 12.5%)
- **Suspension** of holiday and Christmas payments (13th and 14th months)
- Increase in **working time** (from 35 to 40 hours weekly) without any compensation

- **Reduction of the workforce** through lay-offs, premature retirement, voluntary contract rescission;
- Placement of redundant employees in **reserve pool** for special mobility/requalification with incremental decrease in salary until dismissal if not re-assigned
- **Cuts in pension rights** and pension reductions equivalent to rates of cuts in employee salaries
- Increases in **employee contribution** (deductions) for state health plan (ADSE)

*A massive transference of wealth from labour to capital in Public Administration (Rosa)*

- Two-way game of “**dancing and boxing**”, with a clear division between unions
- Significant **mass protests** organized outside of the labour movement

Demonstrations	General strikes
<b>2010</b>	
	<ul style="list-style-type: none"> <li>• 24 November- CGTP and UGT</li> </ul>
<b>2011</b>	
<ol style="list-style-type: none"> <li>1. 12 March: “Generation of Rasca”</li> <li>2. 1 October: CGTP</li> <li>3. 15 October: M12M</li> <li>4. 24 November: Movement 15 October</li> </ol>	<ul style="list-style-type: none"> <li>• 24 November- CGTP and UGT</li> </ul>
<b>2012</b>	
<ul style="list-style-type: none"> <li>• 11 February: CGTP</li> <li>• 15 September: Screw the Troika</li> <li>• 29 September: CGTP</li> <li>• 14 November: CGTP and Screw Troika</li> </ul>	<ul style="list-style-type: none"> <li>• 22 March: CGTP</li> <li>• 14 November: CGTP and 14 unions and 4 federations affiliated in UGT (European protest)</li> </ul>
<b>2013</b>	
<ul style="list-style-type: none"> <li>• 2 March: Screw the Troika, with support CGTP</li> <li>• 19 October: CGTP and Fuck the Troika</li> <li>• 26 October: Screw the Troika</li> <li>• 1 November: CGTP</li> </ul>	<ul style="list-style-type: none"> <li>• 27 June 27: CGTP and UGT</li> <li>• 8 November: Public sector strike convened by the affiliated unions in both the unions</li> </ul>

Source: Campos, M.; and Artiles, A. (2014): “Descontentamento na Europa em tempos de austeridade: Da acção coletiva à participação individual no protesto social”, Revista Crítica de Ciências Sociais, 103, Maio 2014.

*Austerity and Public Sector Employment in Greece*

- **Public sector reforms** in Greece started **long before the crisis**, but there is a **qualitative leap** after the burst of the sovereign crisis debt
  
- Since 2010, unilateral implementation of **external adjustment programmes** through the loan agreements and the related two **MoU** (2010 and 2012), which included:
  - ❖ Measures of **harsh fiscal austerity**
  
  - ❖ A series of "**structural reforms**"
  
  - ❖ Interventions for a drastic **reduction of the labour costs**, which is a key condition for the continued funding of the program, and is set as a quantitative target in the 2nd Memorandum (-15% by 2014)

- A **pay freeze** in the entire public sector, in the Local Government Organisations and in the Public Utility Companies (for 2010 and 2011)
- The **direct reduction of wages and benefits** and the setting of a ceiling on maximum earnings for all employees involved independently of their income and in all companies of the public sector
- The **replacement of the annual leave, Christmas and Easter bonuses** that were traditionally determined by an individual's monthly wage with fixed, flat-rate amounts
- The **reduction in recruitment** by establishing a rule of 'one person hired per five persons retiring' for 2010, and then 'one person hired per ten persons retiring' for 2011;

- Making it possible, for the first time, for **unemployed workers aged 55 to 64 to be hired** by central government through **temporary employment agencies**, with their social security obligations being covered by the Greek Manpower Employment Organisation (OAED);
- Making it possible for Public Utility Companies take on an employee under a **part-time employment contract**
- The **increase of weekly working time** from 37.5 to 40 hours without a proportional pay rise
- The introduction of **optional part-time employment by up to 50%** on a daily or weekly basis and for up to five years, with a proportional wage cut

- The introduction of **intersectoral mobility of civil servants**, giving workers the opportunity to take unpaid leave of absence for a maximum of five years
  
- The introduction of **interdepartmental mobility of public sector employees** and the introduction of the '**labour reserve**' scheme for staff close to retirement, offering them a proportion of their salary for a period of between three and five years without having to work.
  
- **Law 4024/2011**: radical reform of public administration:
  - ❖ **New role of State Servant**, which implies that a worker is employed in the public administration in general, but not in a specific department, making it possible to transfer a worker to any position and to any department

- ❖ A **new pay scale** was introduced in an attempt to align public sector employees with those in the private sector, and resulting in pay cuts for public employees
- ❖ The **options of pre-retirement non-active status and paid reserve status** will be introduced as a way of reducing the total wage bill
- ❖ **The trade unions had their powers cut.** Under new rules, public sector bodies would no longer have an obligation to recognise unions, and unions would no longer have to be consulted over planned restructuring of public services
- ❖ **General abolition of collective agreements** that set out the terms of pay and work in all the **enterprises of the wider public sector.** Also, Law 4/2011 has set a **wage ceiling** notwithstanding previous wage cuts.

- The austerity policies and policies of restriction of labour and social rights that are implemented since 2010 in Greece have triggered, in the last four years, a **massive social reaction**
  - ❖ 36 **general strikes**
  - ❖ 741 sectoral and company-level **strikes and work stoppages**
  - ❖ **Massive social demonstrations**
  - ❖ **Complaints** to the ILO and the European Committee of Social Rights of the Council of Europe
  - ❖ Rise in the electoral influence of radical left

*Austerity and Public Sector Employment in Spain*

- The **anti-crisis policies** in Spain have followed **different approaches**, closely linked to the changes in the strategies at European level
  - ❖ *2008-May 2010*: implementation of some stimulus measures on the demand-side, with an active involvement of the social partners
  - ❖ *May 2010-Nov 2011*: "Austerity turning point", which led to a programme of budget adjustment and structural reforms with a neoliberal bent
  - ❖ *Nov 2011*:- fiscal consolidation policies and structural reforms; consolidation of unilateral governance; unprecedented anti union campaigning; Tightening up of the Penal Code and of the repression of social protests

### ➤ 2010-2011

❖ Extraordinary measures aimed to reduce public deficit (May 2010), including cut of **5% wages of public servants**

❖ **Pay freeze** for public sector workers

❖ **Constitutional reform** (August 2011), to incorporate the "**golden rule**": concept of "balanced budget principle" for the actions by Public Administrations, and commitment not overcome deficit limit

- **2012-2014: radical and ongoing programme of reform of the public administrations, according to the following principles**
  - ❖ **Budgetary discipline** and public transparency
  - ❖ **Rationalisation** of the public sector: elimination of duplicated, inefficient or unsustainable bodies and entities
  - ❖ Improved **efficiency** of the public administrations
  - ❖ The Administration at the **service** of citizens and businesses
  
- **Commission on the reform of the Public Administration (CORA)**

### ➤ Ideological offensive

- ❖ **Public deficit** becomes the central factor worsening the crisis and the difficulties of recovery
- ❖ **Devaluation of public services**, in terms of efficiency and cost, compared to exaltation of private management and **individualization of risks**: from the "welfare state" to the "welfare society"
- ❖ **"Blaming"** public servants: public employment as a "privilege"
- ❖ An unprecedented **anti-union campaigning**: "*The Trade Unions will fall like the Berlin Wall*" (Esperanza Aguirre, former President of Madrid Regional Government)

- **Freeze on Public Employment Offers** for 2012, 2013 and 2014, setting a general replacement rate of workers at zero and a 10% rate restricted to certain areas such as fraud prevention and selected services
- Legal authorisation for **dismissals** due to economic, technical, structural or production-related causes within the Public Administration, for **non-civil servant staff**
- **Reduction of personal days** and **elimination** of extra free days off
- Modification of the conditions for access to and maintenance of **temporary incapacity**

- Modification of the **regular retirement age**, raising it from 65 to 67 years.  
The Law introduces a transitional period of 14 years to progressively apply the measure
- **Extension of the workday** to a minimum, in the public sector, of 37.5 hours per week
- **Sector-based** public employment measures
- Plan to **reduce absenteeism**
- Modification of the **incompatibilities regime**

- **Reduction of Trade union leave** in the public administrations and subsidiary bodies; this significantly lessens the number of hours with pay that may be used to carry out union or staff representation functions
- **Collective bargaining in the public administrations will be greatly reduced** since the binding force of any collective pact, agreement or convention is subject to the possibility that the public administrations may decide unilaterally to adopt adjustment measures or plans in order to reduce the public deficit

- **Industrial action**, including three general strikes, numerous strikes at sectoral and company level, and multiple demonstrations
- **Court litigation**
- **Institutional action**: Complaint to the ILO
- **Alliances with social movements**
  - ❖ " Social Summit", which integrates the two more representative trade unions (CCOO and UGT) and more than 150 social organizations
  - ❖ Platform in Defence of the Welfare State and Public Services
  - ❖ "Citizen tides": Public Education; Public Health System; Civil servants and public employees; Public R+D+i System

*Thanks for your attention*

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