



EPSU Executive Committee 9-10 November 2009

Statement on the continuing economic and financial crisis

The EPSU Executive Committee considered the impact of the financial and economic crisis on public services and public service workers since last meeting at the EPSU Congress in June. While there have been some positive signs, such as a return to growth in France and Germany, it is far too early to claim that the recession is over. Unfortunately, the European Commission's autumn forecast does just this.

There are major risks with this message coming from the Commission with a real danger that countries will start to change their strategies and bring to an end any initiatives to stimulate economic growth. Combine this with the fact that several European countries, some in order to comply with requirements of the International Monetary Fund, have never embraced an expansionary fiscal policy but have implemented cuts in public spending and you have a formula for undermining the recovery before it gets underway.

In its response to the European Commission's autumn forecast, the ETUC underlines the severity of the current downturn with growth in the European economy falling 7% below its trend. The ETUC also warns that the signs of recovery are the result of temporary factors while some of the root causes of the recession are of a more permanent nature. At the heart of the crisis was the speculative surge in property prices in many parts of the world. The bursting of that bubble has left a mountain of debt that the private sector is trying to reduce with a resulting dampening effect on demand. This underlines the need for continued public sector support for measures to boost growth.

As the EPSU Congress resolution on the crisis emphasized, the public sector is central to the recovery with a continuing need for investment in public services and public infrastructure. Public services play a key role in protecting people from the worst effects of the recession and despite the first signs of growth, the predictions are that unemployment will rise over the coming months and that rather than cutbacks, increased support will be needed for some time to come. And rather than pay cuts and pay freezes, it is vital to maintain and improve real wages in order to boost demand as part of the strategy to get the European economy moving again.

The statement from EPSU's standing committee on National and European Administration on 15 October made clear: "Cuts in public sector pay are not the solution to the crisis, indeed evidence shows that low public investment and high deregulation countries are the most affected by the crisis." This is a message that needs to go out loud and clear not just to individual governments but to the International Monetary Fund whose interventions in several countries in Central and Eastern Europe, often in collaboration with the European Commission,

have resulted in cuts in public spending and public sector pay and employment. EPSU rejects exit strategies that are imposed on public service and other workers and citizens.

But it is not just a question of avoiding a double-dip recession, EPSU stresses once more that there cannot be a return to business as usual. There has to be a real commitment not just to rebuilding and reforming the European economy but an acknowledgement that central to this is the need to reinforce Social Europe with co-ordinated policies that address issues of redistribution and sustainability.

EPSU notes the communiqué from the meeting of the G20 group of finance ministers on 7 November that argues that: “the recovery is uneven and remains dependent on policy support, and high unemployment is a major concern” In particular, EPSU urges governments of the G20 countries and the European Union to abide by the following commitment: “To restore the global economy and financial system to health, we agreed to maintain support for the recovery until it is assured.”

In line with this, EPSU supports the ETUC in its demand that policy makers across Europe should co-ordinate their efforts to maintain and strengthen fiscal packages aimed at stimulating the economy and resist the temptation to begin a disorderly exit strategy.

Above all EPSU argues that cuts to the pay, pensions, employment conditions and jobs of public service workers should not be the focus of governments’ responses to the crisis and that the recession means citizens and workers generally are in even more urgent need of high quality public services than at any other time.