



European Trade Union Confederation (ETUC)
Confédération européenne des syndicats (CES)

ETUC Declaration on the current economic situation

adopted by the Executive Committee on 19-20 October 2011

An extremely dangerous situation

The economic situation of the Eurozone has gone from bad to worse during the last period; it reached extremely dangerous levels during the last weeks and days.

At the same time, the social situation is deteriorating dramatically: inequalities and poverty are rising; unemployment, particularly youth unemployment, has reached intolerable levels, over 20% in most countries and over 40% in Spain and Greece.

The situation is now exacerbated by a new banking crisis, resembling the one in 2008. Governments had to intervene to support the ailing Dexia bank, although Dexia, a few months ago, successfully passed the stress tests. Similarly, a number of European banks are exposed because of the nature of their assets.

Since the last banking crisis, banks have made substantial profits and, instead of reducing their exposure to risks, they distributed these profits to shareholders and bonuses to bank managers. Once again they are asking for a rescue from the state, leading to more debt and more austerity. Once again workers and their families are asked to pay for the banks. It is time to put an end to a dysfunctional system where workers are prisoners of casino capitalism.

At the same time, the situation in Greece is deteriorating. Forced by other Eurozone members, the ECB and the IMF to implement an unprecedented programme of cuts and privatisation, the Greek economy has fallen into depression. In this condition it is difficult to see how the country could repay its debts. A Greek default, as advocated by some politicians, would precipitate the crisis further.

Portugal, Ireland, Spain, and Italy are in an unstable and highly problematic situation. Credit rating agencies have warned Belgium and France that triple A rating is under scrutiny. This indication already triggered an increase in interest rates and makes the return to balanced budget an even more remote perspective.

If the crisis rolls on, the domino effect will reach the currently stronger economies. This would mean a spiral of sovereign defaults, banking collapses, unemployment, falling wages, fiscal retrenchment and all-round misery and not only in the Eurozone but in all EU countries. At that stage, the Eurozone and the European Union will be at stake.

Economic solidarity is needed to overcome the crisis.

It is very difficult to see how the crisis would be overcome without stronger countries financially supporting weaker ones. Although extremely demanding, this seems the only way out. To achieve this, a constructive dialogue with trade unions for a fair repartition of the burden would be indispensable.

From the early days of the crisis the ETUC has been calling for economic solidarity, taking the form of Eurobonds to facilitate investments for sustainable jobs, a financial transaction tax to contribute to repair, at least partly, the damages of speculation, the non-bureaucratic use of the reserves in the structural funds with an active participation of the social partners, fair taxation, the end of tax havens, tax fraud and evasion and a halt to tax competition.

ETUC is open to other forms of economic solidarity which might be acceptable, like the EFSF issuing bonds or guaranteeing loans.

Decisions taken on 21st July 2011 by the Eurozone were a step in the right direction; the democratic process to implement them is necessarily slow. Strong doubts have to be overcome to convince some member states to lend more money to Greece. However, since 21st July 2011 the situation has considerably deteriorated, and the answers given then are most probably insufficient today.

Economic and social governance is necessary

A common currency needs common rules. It cannot function properly if member states go their own way and pursue economic policies that diverge and fail to consider the impact their policy has on other members. But a common currency also needs the right set of rules. A stronger European coordination of national economic policy should aim to promote economic recovery, to create more and better jobs and to ensure upwards convergence of working and living standards.

The rules defined by the European Parliament, Council and Commission in the "six pack" shift the burden of the crisis to workers and their families. If governments during the 2009 recession would have been forced to follow the rules which the economic governance package is now seeking to impose, the economy would have been pushed into a full blown depression.

Euro area imbalances were exacerbated by downwards competition on wages and precarious work practices, combined with irrational debt and asset price booms. Alleged "irresponsibly high" wage increases had little or nothing to do with this.

There is a real danger that these rules will be used to push for brutal fiscal austerity, to impose excessively high and fast deficit reduction targets and systematically roll back social benefits, public services and public investments. Decentralised and uncoordinated bargaining along with downwards flexibility of wages, would be promoted so as to weaken the bargaining position of workers and trade unions. Downward wage competition within countries and between countries might follow. This would in turn foster a further increase in precarious work and inequalities.

To address this danger, the ETUC will systematically use the wage safeguard clause of article 1 of the regulation on excessive imbalances. This clause states that "*The application of this Regulation shall fully respect article 152 FTEU and the recommendations issued under this Regulation shall respect national practices and institutions for wage formation. It shall take into account Article 28 of the Charter of Fundamental Rights of the European Union, and accordingly shall not affect the right to negotiate, conclude and enforce collective agreements and to take collective action in accordance with national law and practices*".

Any attempt by the Directorate General for economic and financial affairs or the Council of Finance Ministers to use the new excessive imbalances procedure to weaken wage formation systems, to put pressure on wage and collective bargaining outcomes or to impose labour market reforms will be combated by the ETUC as being in contradiction with article 1 of the Regulation and the principles of article 152 of the Treaty of respecting the autonomy of social partners and the national systems of wage formation.

ETUC stresses that all European policy processes (EU 2020 country or Euro Plus Pact recommendations), even if these are not legally binding, must respect the autonomy of social partners and the fundamental social goals of the European Union, which include social progress, social justice, a high level of employment, and the upwards convergence of working and living standards.

Against austerity and intervention in wage setting systems

Instead of concentrating on finding long term solutions for sustainable growth and economic solidarity, authorities have focused their efforts on imposing austerity measures in all countries in difficulties; we have seen none of the expected results. Interventions in the collective bargaining and wage setting systems by the Troika and/or the ECB in Greece, Italy and other countries are unacceptable.

Against attacks on fundamental social and trade union rights

ETUC considers that the current situation is unfortunately used as an opportunity by those neo-liberals who want our economies to be fully in the hands of the markets, to attack the European social model.

The Commission, the ECB, the IMF and national governments have chosen to link their economic support to initiatives that dismantle social dialogue, proper industrial relations systems, the autonomy of social partners, and collective bargaining coverage.

The ETUC will never accept such attacks which go against fundamental rights, including trade union rights, as guaranteed by the Charter of fundamental rights and by national constitutions.

Concluding remarks

Our route was and is the right one. The ETUC stands and will continue to stand for sustainable economic growth, against the governance of austerity and economic stagnation, for economic solidarity and the right set of economic governance rules. Instead of attacking the social model and trade unions, European political leaders must take the necessary decisions to stop a full scale European and worldwide depression.

Fundamental social and trade union rights and the autonomy of social partners are part of our democratic systems. They must be defended and promoted by the EU. With this as a basis, the ETUC is ready to take part in a dialogue for a constructive and fair way out of the crisis.