# **ETUC** RESOLUTIONS
# **2008**


EUROPEAN TRADE UNION CONFEDERATION (ETUC)

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# Executive Committee - March 2008

# 1 "REFORMING THE BUDGET, CHANGING EUROPE"

## Public consultation in view of the 2008/2009 budget review

*ETUC contribution*

Executive Committe, 4-5/03/2008

### 1. INTRODUCTION

The ETUC has already welcomed the May 2006 agreement by the European Parliament, the Council and the Commission to undertake a fundamental review of the Community budget "covering all aspects of EU spending, including the Common Agricultural Policy, and of resources, including the United Kingdom rebate, and to report in 2008¬2009"[1].

Given that the present system is criticised because of its lack of transparency and its complexity, the ETUC wishes to take part in the debate by contributing its views on the relevance of existing policies and the identification of future challenges. It also intends to address the question of the financial resources the EU needs to fulfil its tasks, in particular in the areas of employment and social policy, social cohesion and quality of life, sustainable development and the environment, while stressing the urgency of an ambitious response to meet these challenges.

The EU's financial perspectives are the expression of its policy agenda. They are built on the idea that the economic advantages drawn by each country from its membership of the Union exceed the

[1] Declaration No 3 annexed to the Interinstitutional Agreement between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management -OJ C 139, 14.6.2006.

strictly budgetary cost of its participation. There are expenses and investments for which Europe represents the relevant level. It is this added European value, and not simply the goal of a "fair return" based on the calculation of net national budget balances, that must guide reflection on this subject.

The aim is to determine whether the EU wishes to attain its objectives and whether the Member States are prepared to contribute to common policies whose effectiveness and necessity they acknowledge, in a spirit of solidarity and greater democracy. It is unacceptable, once all the Member

States have agreed on important Community activities, such as Galileo or the Transeuropean Networks, and have identified ambitious tasks, in particular the Gothenburg and Lisbon objectives, for financing problems to be encountered afterwards.

Appropriations are indispensable to enable the European Union to operate in accordance with its powers and the growing challenges, in particular with regard to its role in the international arena, efforts to achieve the Lisbon objectives (innovation, education, research, infrastructure and employment) or those fixed by the Treaties and for a Union that today counts twenty¬seven Member States.

## 2. THE ETUC'S PRIORITIES

In the present context, the ETUC's priorities need to be restated. Indeed, the Commission has launched three parallel consultations with a view to defining the profile of the Europe we want for the future. In addition to the consultation that is the focus of this contribution, the Commission has initiated a debate on the future of cohesion policy and on Europe's social reality, to which the ETUC has submitted contributions. By so doing, we hope to influence the responses that must be given at both European and national level.

### 2.1. Social Europe

The concept of social Europe has been at the heart of the European Union's development. The social rights and social inclusion promoted and guaranteed by the public authorities, as well as a social dialogue and an important role for the social partners acting independently, have been recognised as key elements of Europe and form part of its fundamental values as defined in the Treaty and accepted over the years by Europe's heads of state and of government. That is why the ETUC supports Europe. These elements are essential for maintaining the support of unions and workers for the European Union, support that has lost a fair amount of ground in some countries. We are convinced that, in spite of external and internal challenges, Europe can make choices. It is not by demolishing its social model, social acquis, principles and values that Europe will be able to cope successfully with a new social reality. Economic and social problems go hand in hand, and the balance struck between them forms part of the social contract concluded when the single market was developed. A major consequence of this vision is the necessity for a common framework for strong European legislation and policies, which must be matched with appropriate financial resources. In this respect, we seek the following fundamental objectives: high quality products and services and opportunities for workers, in particular high¬quality work; strong social welfare systems; a European society based on rights and values; strong and independent social partners.

### 2.2. The sustainable development strategy for quality jobs and social and economic cohesion

It is clear that, following the revision of the Lisbon Strategy, in the framework of the Integrated Guidelines, the employment pillar is overshadowed by the competitiveness objectives. The Commission's proposals for revision of those 2008¬2010 Guidelines reinforce that approach.

For the ETUC, the creation of large numbers of high¬quality jobs, support for the adaptation and modernisation of education and vocational training systems from the standpoint of lifelong learning and the creation of a knowledge society, the promotion of social inclusion and the fight against unemployment, and the promotion of equal opportunities, are crucial for achieving the Lisbon objectives.

The European Employment Strategy (EES) must be put back at the heart of the Union's priorities and more funds must be released to create more jobs, but also higher¬quality jobs. "Quality work", one of the three compulsory objectives of the EES, must be (re)placed at the centre of the Strategy, in particular by reintroducing the objective of reducing the number of poorly¬paid workers and the working poor.

Economic and social cohesion is one of our priorities, given that closer integration of the European economies is not leading to a significant reduction in territorial and social disparities. The fact of the matter is that such convergence is not automatically guaranteed, at least in conditions acceptable to a large part of the population and territories of European Union countries. Cohesion policy must provide answers to the challenges ahead and must simultaneously help reduce disparities between regions and promote a society of full employment, equal opportunities, social inclusion and cohesion. It must contribute to the creation of a truly European labour market, primarily by promoting solidarity between regions and mobility. The European budget must be in keeping with the sustainable development framework set out in the Treaty, defined as development that meets the needs of societies today without compromising the ability of future generations to meet their own goals. The EU's sustainable development strategy also stipulates that European policies must "promote integration of economic, social and environmental considerations so that they are coherent and mutually reinforce each other"[2]. From that standpoint, social progress, economic growth and environmental protection must be seen as objectives which are mutually reinforcing, not contradictory. There is no contradiction in principle, for example, between a high level of social protection on the one hand and economic growth and job creation on the other. Likewise, maintaining biodiversity and a sustainable and safe energy system are positive factors for productivity and employment. Most of the countries with the best performances, moreover, achieve them simultaneously in employment, environmental quality and economic growth. Priorities and objectives must be defined with respect to the European Union's sustainable development commitments, and European funds should be allocated as a matter of priority to projects that stimulate synergy between the economic, social and environmental dimensions. At this stage, aside from the European Social Fund, which by definition takes account of the social objective, the structural funds are not seeking genuine integration of the objectives. They are proceeding by a process of accretion: in particular, environmental projects are accepted, although among others and without the constraint of an exact analysis of their social and economic impacts.

[2] Conclusions of the June 2006 European Council:
http://register.consilium.europa.eu/pdf/en/06/st10/st10117.en06.pdf

## 3. MEETING TOMORROW'S CHALLENGES

The ETUC agrees with the general presentation of the challenges with which the EU may be faced in the future, such as the pressure of globalisation, demographic changes and climate change, although further analysis is needed to take account of recent developments, in particular an assessment of the impact of raw materials shortages. It is clear that the continuing and growing number of structural problems due to globalisation, unexpected shocks, industrial restructuring or economic diversification, along with corporate mergers in different regions of the EU, mean that stronger support is required for these problem areas. The goal of an integrated Europe should be to manage the globalisation process in such a way as to maximise its benefits and minimise its costs, while ensuring that there are as many winners as possible and that compensation measures are taken for the losers. The ETUC considers that responding positively to the challenges arising from demographic changes implies an integrated approach as part of the implementation of an anticipation strategy. There must be multiple instruments, policies and players, and sufficient financial resources have to be made available, in particular in the context of the European Social Fund. It is therefore worthwhile to reflect on the political choices that need to be made in order to make the most of the opportunities resulting from these processes and at the same time to protect ourselves from the negative impact to which the EU and its workers may be exposed. Needless to say, these priorities must be accompanied by adequate financial means with a view to attaining the objectives established. The ETUC agrees with the Commission that climate change and energy security are two major challenges for the coming decades. They nevertheless do not outrank the other environmental challenges identified in the EU Strategy for Sustainable Development: sustainable transport, sustainable production and consumption, conservation and management of natural resources, and public health. In the debate about the future of the European budget after 2013, therefore, we need first of all to focus on the policy choices that the Member States wish to implement together, and then to look for an agreement on their funding, which is essential at Community level. That being so, the ETUC advocates the need for the current policies to be beefed up (in particular cohesion policy, as well as research and innovation) or the further exploration of their reform (CAP), while stressing the setting in place of ambitious policies in terms of energy and climate change.

### 3.1. Cohesion policy

The ETUC stresses once again the urgency of strengthening Community structural policies in an enlarged Europe, since the principles of cohesion and solidarity are written into the Treaty in the same way as the single market and competition policy, and they represent two of the most important vectors for the integration of peoples and territories. This is more especially so because, since the adoption of the Financial Perspectives 2007 2013, Europe has enlarged to include two new Member States. As stated in the Commission's Fourth Report on Economic and Social Cohesion, cohesion policy currently accounts for around one third of total EU expenditure, and will mobilise some 54.2 billion euro in 2013. However, in spite of the challenges stemming from the two recent enlargements of the EU, the volume of funds diminishes in relation to the Union's gross domestic product (GDP). In 2013, it will account for only 0.35%, compared to barely 0.4% in 2004, thus returning to its level of the early 1990s. It is therefore essential to link the debate on the future formulation of cohesion policy to the discussion on the 2008/2009 EU budget review. In that framework, ex ante evaluation of projects supported by European funds must be made systematic, taking into account not only the economic and environmental impact, but also the social consequences, in particular jobs created by connecting regions to major networks.

### 3.2. Transport

The principle that must prevail on transport is that of transferring road traffic towards more environmentally acceptable modes. Railway infrastructure, public transport and the motorways of the sea should be priorities, along with measures to control demand for transport. The urgency of such reorientation is highlighted in the Eurostat report[3]: “There are no real signs of decoupling the energy consumption of transport from economic growth”.

There is a need to develop transeuropean transport infrastructure respectful of sustainable development. The Union is the appropriate level for overcoming national stalemates in this regard. The 30 priority projects identified in 2004, although they do meet these criteria

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[3] *Measuring progress towards a more sustainable Europe, monitoring report of the EU sustainable development strategy*, 2007, Eurostat

relatively well, will have to undergo ex ante evaluation to measure not only their economic and environmental impact, but their social impact as well.

### 3.3. The Common Agricultural Policy

The ETUC considers that the Common Agricultural Policy (CAP) must remain the leading instrument for implementing agricultural policy, and is opposed to any attempt aimed at renationalising it. The market liberalisation trend should not call back into question the legitimacy of a European public intervention, independent of actual production, remunerating the maintenance of public environmental and territorial assets, the quality of products, food security and the creation of jobs. These criteria nonetheless require a stricter European definition as part of the follow¬up of the “health balance” scheduled for 2008. One of the objectives of a modern and efficient CAP must be to halt export subsidies, which have harmful effects on the developing countries. The decoupling of direct aid is a tool that the ETUC can support if it is applied in such a way as to ensure a fairer allocation of aid. Environmental compliance must also be strengthened. In the future, the ties between the CAP and the sustainable development objectives set by the Lisbon and Gothenburg Strategies (creation of quality jobs, social cohesion and environmental protection) must be consolidated and strengthened. However, in view of the consequences of the shortage of agricultural products and their higher prices as a result, its initial objective must once again be taken into account in this analysis. In parallel with the revamping of the CAP, rural development funds should be substantially increased to tackle the employment and competitiveness problems of rural areas, particularly in the new Member States.

### 3.4. Innovation and research

Sustainable development must guide innovation and research and development. Not only should the percentage of the European budget earmarked for research be increased – to allocate more funds for the objective of the knowledge¬based economy – but it must also explicitly include European objectives on the environment, training and social inclusion. This holds for fundamental and industrial research alike. In many sectors (steel, aeronautics, transport), growing environmental requirements with respect to greenhouse gases, pollution, noise or waste are creating the need for technological breakthroughs. The joint technology initiatives[4] represent a positive innovation that should be enlarged to other sectors and explicitly tied in to the requirements of the European Strategy for Sustainable Development, particularly sustainable transport, sustainable production and consumption, conservation and management of natural resources, public health and social inclusion. Financial efforts alone will not create research activities. Considering the rising average age of researchers, coupled with the growing mobility of research teams, the European Union will have to find up to 800,000 new researchers over the next decade. Organisational and social innovations must be supported by the EU budget, in the same way as technological innovations. Innovative forms of labour relations and social dialogue must be promoted to encourage the development and dissemination in companies of new production processes meeting the needs of sustainable development.

### 3.5. Energy policy

The ETUC is convinced of the need for a European energy policy that places Europe on the path to sustainable development. Such a policy implies a change of energy model that can find expression, on the one hand, in major restructurings that must be anticipated and accompanied, and on the other, in positive opportunities for employment and social cohesion that must be exploited. Improving energy efficiency must be a priority of the EU budget, because doing so will help the Union attain both the objective of ensuring a secure energy supply, highlighted by the 2006 Green Paper on EU energy policy, and the requirements of combating climate change. The major obstacle to making the necessary investments is financial. Improved energy efficiency in existing housing in particular should be eligible for Structural Fund support in the new Member States but also in the EU15, given the likely positive effects on employment, the energy bill of low-income households, energy independence and climate change.

[4] Joint technology initiatives have been proposed for aeronautics, space surveillance, hydrogen, innovative medicines, nanoelectronics and on-board computer systems.

### 3.6. Climate change

Adaptation to the inevitable consequences of climate change is a new challenge for Europe, which will require support from the EU budget by virtue of solidarity between the Member States. Certain regions will be considerably affected by the impact of climate change, which is already being felt today. This will require not only improvements to existing infrastructures to make them more resistant to future climate change (such as protection against flooding, and prevention of the effects of heat waves on public health), but also a reorientation of the new infrastructures that will have to be situated appropriately and adapted to the new climate conditions (such as roads resistant to water and heat). The sectors most concerned are energy equipment, water distribution and treatment facilities, health systems, port installations, and coastal and mountain tourist facilities. Enhancement of the environment must become a factor contributing to quantitative and qualitative improvements to employment. If the Member States adopt the Commission's legislative proposals for a 20% reduction in the European Union's greenhouse gas emissions by 2020, important and fast¬paced changes can be expected in the economy as a whole, with restructurings in sectors based on fossil fuel, such as heavy industry, electricity generation and road transport, and new opportunities in sectors based on energy efficiency and low¬carbon technologies. Adaptation to the inevitable consequences of climate change will also bring about changes in many sectors, especially agriculture and tourism.

## 4. A EUROPEAN BUDGET TO IMPLEMENT OUR PRIORITIES AND TAKE UP THE CHALLENGES

The ETUC is anxious to restate that an overall increase in the EU budget is required, and that over and above the need to increase the level of investments, we also need to ensure their quality, their real impact and their sustainability. The current ceiling of 1.24% of gross national income (GNI) already offers considerable leeway and no budget has ever come close to it. However, given the above observations on political choices and new challenges, the ETUC is convinced that there needs to be an increase in the Community budget's own resources for the future. Such an increase must be commensurate with the needs regarding the choice of the priority policies which the

Union is undertaking to pursue in the future. Just as the European Council has decided, the Structural Funds are the financial instruments for the implementation of the Lisbon Strategy. The ETUC considers that this needs to take more concrete shape in practice, in the allocation and utilisation of the funds over the period extending beyond the current strategy, the objective of which is to improve the EU's performances in terms of growth, high¬quality job creation, and sustainable development. In the same way, the Structural Funds likewise need to be the favoured financial instruments in rising to the new challenges in the future. Against this background, we would stress that the European Social Fund (ESF) is the favoured instrument for supporting the implementation of the European Employment Strategy and that this must continue to be the case in the future. As to climate change, the ETUC takes the view that the European budget should make a substantial contribution in support of the future European plan for the reduction of greenhouse gas emissions, energy efficiency and the development of renewable energy sources for 2020, as well as the adaptation to the inevitable effects of climate change. More European funds must be allocated to energy efficiency, the development and use of renewable energy, including for heating and cooling, less polluting transport and controlling demand for transport. In the ETUC's view, moreover, the EU budget should contribute to the effort to help workers affected by rapid changes linked to the transition to a very low¬carbon society, assisting them in their skills improvement and their job search. This fund would be based on the experience acquired with implementation of the European Globalisation Adjustment Fund. On this point, our view is that for the period after 2013, the European Globalisation Adjustment Fund should be formally incorporated into the structural funds, which should include a fund for the anticipation and accompaniment of the consequences of climate change, to encourage the Member States, specifically in the less well¬off countries, to assign

genuine financial instruments to the climate change mitigation and adaptation strategies. In the meantime, existing instruments such as the Solidarity Fund and the European Globalisation Adjustment Fund should be revised upwards.

## 5. FINANCING THE BUDGET

For the ETUC, reform of the Union's expenditure structure must go hand in hand with reform of its revenue structure. This comprehensive review of EU revenue and spending represents an opportunity – that must not be wasted – to return to a genuine but fair system of own resources. The aim of the reform of Community resources must be to create a genuine Union own resource that replaces existing mechanisms and to give new life to the letter and spirit of the founding treaties. Given the complexity of the current system, this reform should be progressive and conducted carefully, so as not to destabilise it. The first need is to find solutions which will make it possible to scrap the existing derogations and exemptions, which make it incomprehensible to Europe's taxpayers. On the other hand, we need to focus on choices based upon principles such as equality, fairness and solidarity, while respecting the Member States' contributive capacity and democratic obligations and seeking the widest backing from Europe's citizens. The ETUC likewise considers that new possibilities are needed for indirect resources. Possibilities for examination include green taxes. It is also advisable to examine whether the Union should keep the unused appropriations left in the – slim – European budget, rather than returning them to the Member States. Additional financial resources to supplement those of the public sector at Community level also need to be found. Public¬private partnerships (PPPs) make it possible to involve the private sector in general interest projects. However, lessons must be learnt from certain negative experiences, and the risks that can result from PPPs have to be taken into account. It is our view that it is more relevant to use other European and national funds, in particular those of the European banks (EIB, EBRD, EIF) and to ensure access to European loans. The ETUC considers it essential to develop information for citizens, based on the principles of transparency and the intelligibility of European policies and their financing. But information policy must not replace discussions between the institutions and consultations with all the representative social and economic players on the role of the Union and its strategic choices. Synchronizing the budget cycle with that of the European institutions (Commission, Parliament and Council) could be useful in that respect.

# 2 ETUC position on the proposal for A REGULATION AIMED AT REDUCING $CO_2$ EMISSIONS FROM NEW PASSENGER CARS

Executive Committee, 4/03/2008

## INTRODUCTION

1. This document sets out the ETUC's position on the proposal for a regulation aimed at reducing carbon dioxide ($CO_2$) emissions from cars to an average of 130 g $CO_2$/km for the entire car fleet by 2012 through improvements to motor vehicle technology.

2. This proposal is an important piece of legislation in the European arsenal for combating climate change, because it tackles greenhouse gas emissions from road transport, a sector responsible for around one fifth of the European Union's $CO_2$ emissions – of which some 12% is imputable to passenger cars – and one of the rare sectors where emissions are increasing. Although the EU reduced its total emissions by just under 5% for the 1990-2004 period, $CO_2$ emissions from transport increased by 26%.

3. The initial target proposed in 1995 by the Commission, and endorsed by the Council and the European Parliament, was 120 g $CO_2$/km. The obvious failure of the voluntary agreement signed by automotive manufacturers in 1998[1], which was meant to bring emissions down to 140 g/km in 2008, prompted the Commission to propose a binding regulation in December 2007.

[1] In 2006, the average for all vehicles was 160 g/km.

## I. GENERAL COMMENTS

4. For the ETUC, which supports an ambitious EU climate policy, this proposal responds to the recommendation of its Executive Committee of October 2006[2] "to share the burden of reducing emissions more fairly between 'domestic' sectors (transport, residential, tertiary) and other sectors, in particular industry".

5. The ETUC Executive Committee had also called at that time for "compliance with the voluntary agreement reached between European automotive manufacturers to limit $CO_2$ emissions from new vehicles to an average of 140g/km by 2008 and adoption of European legislation setting $CO_2$ emissions requirements at an average of 120 g/km in 2012".

6. Considering the failure of the voluntary agreement, the ETUC welcomes the Commission's initiative to adopt binding legislation for $CO_2$ emissions from cars. The Commission calculates that the cumulative CO2 savings by 2020 of reaching the 120g $CO_2$/km target in 2012 will be over 400 million tonnes. What is more, significant economic and social benefits can be expected from such legislation. It should stimulate investments in research and the development of low-carbon technologies, thereby helping to create and maintain long-term jobs in the automotive sector in Europe, which directly and indirectly employs 13 million workers. For users, higher car prices should be offset by fuel savings throughout the life of the vehicle.

7. This regulation should be complemented with a global plan for the reduction of greenhouse gas emissions from transport in Europe, targeting both goods transport and passenger transport. The objective should be to reduce the demand for transport, shift traffic to modes of transport that generate the lowest levels of greenhouse gases (railways, waterways, public transport, cycling, walking), develop technical improvements helping to reduce emissions (tyres, equipments and so on) and biofuels that are socially and environmentally sustainable and promote eco-driving.

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[2] "Tackling Climate Change: A social priority – Avenues for action", *Resolution adopted by the ETUC Executive Committee at its meeting in Brussels on 18 and 19 October 2006*

## II. SPECIFIC COMMENTS

### Impact of the proposed measures on employment

8. The ETUC notes that the impact study carried out by the Commission does not anticipate an overall negative impact on employment in the automotive sector in Europe, but highlights the possibility of there being "winners" and "losers" among automotive manufacturers. Jobs could be created at parts suppliers and equipment manufacturers to meet growing demand for innovative and high value-adding technologies that will contribute to cutting emissions. The Commission considers that meeting the $CO_2$ targets will result more from the dissemination of processes already available for all vehicles than from technological upheavals that make existing technologies obsolete.

9. The ETUC considers this analysis insufficient. A more serious study of the impact on employment involving trade unions is needed. The points to be reviewed closely include:

- The quantified impact on national and regional industrial bases and employment in the European Union, considering the current location of production sites;
- The impact of the higher costs for manufacturers on remuneration and working conditions at the different levels in the value chain, considering the nature of the contractual relations by which they are bound.

10. The ETUC calls on the Commission, Parliament and Member States to evaluate attentively the impact that future legislation could have on employment and the industrial bases of numerous regions of Europe and to put in place appropriate support measures to prevent massive disruptions to the sector.

11. Even if the 2012 targets can be achieved in large part thanks to the use of existing technologies, technological breakthroughs will nevertheless be essential in the future to reach the very low emission levels recommended by the IPCC[3] experts. Public and private R&D

[3] Intergovernmental Panel on Climate Change

budgets must be increased and redirected to low-carbon technologies. The ETUC therefore urges the European authorities to respect the commitment made in their previous communications with respect to the technological pillar of the Community strategy for the reduction of $CO_2$ emissions. The ETUC supports in particular the launch of a Joint Technology Initiative, co-financed by the EU budget, containing a training dimension and involving the trade union organisations concerned.

12. The ETUC and the metalworkers' unions must be involved in the review of the progress made to implement the Community's Integrated Approach to reduce the $CO_2$ emissions from light-duty vehicles planned for 2010.

### Support for the target of 130g CO2/km and the 2012 deadline

13. The ETUC supports the target of an average of 130 g $CO_2$/km by 2012, considering that it represents a sufficient easing of both the original EU objective of 120 g/km[4] and the goal of the manufacturers' voluntary agreement (140g/km in 2008). The proposed directive also gives manufacturers a certain degree of flexibility to help them reach their assigned targets (calculation of emissions on average sales, pooling of manufacturers).

14. Another argument in support of the 2012 deadline is that road transport must play its part in achieving the Kyoto Protocol objectives in 2012, failing which the effort will have to be borne by other industries, their workers and their customers.

15. Studies show that improvements can be made by reducing the size and power of cars or by bringing into general use the technical processes already in use on certain vehicles. The vehicle technology improvements that have been developed in recent years have been offset to a large extent by increases in the weight and power of cars, which amounted to 15% and 28% respectively for the 1995-2004 period.

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[4] Proposed by the Commission in its 1995 communication, then restated in the sustainable development strategy.

## Sharing the effort

16. The Commission proposes a system of limit values for $CO_2$ emissions based on vehicle weight. The ETUC underlines that alternative parameters such as "shadow" (the vehicle surface) and "footprint" (trackwidth or space between the wheels) could also be used to define $CO_2$ standards.

17. These limit values must also be set in such a way as to oblige the vehicles that currently have the highest emissions to make the greatest reduction effort – even if all manufacturers and all classes of vehicles have to make an effort if the target of an average of 130g is to be reached.

## Penalties

18. The ETUC supports a system of financial penalties for those manufacturers that do not meet reduction targets. While being progressive in time, this system should be incentive enough.

19. The proceeds from financial penalties should be pooled in a fund (managed either at national level or at European level) and be used to:

- Be reinvested in research and development, to contribute to a further reduction of $CO_2$ emissions. These new R&D investments should be accessible to all companies keeping their production in the EU;
- Be reinvested in employees' training and skills-building to enable them to adapt to new, more energy-efficient and $CO_2$-efficient manufacturing processes;
- Help finance strong incentive measures offered to modest income owners of older, more polluting vehicles who wish to get rid of their cars.

## Long-term $CO_2$ targets for a genuine "low carbon" technological breakthrough

20. The ETUC also wishes to see social partners, and in particular the trade union organisations, involved in the definition of ambitious targets for the reduction of emissions by 2020 and 2025. Such targets

will encourage companies to start preparing now the radical innovations that will lead to cars with very low emissions. They will also give companies and workers enough time to adapt to the new changes.

### Complementary measures required

**21.** The ETUC calls on the Commission to propose at an early date measures to encourage the purchase of the least polluting cars with the lowest $CO_2$ emissions ("supply side" measures), noting that these will lower the cost of achieving the target of 130 g $CO_2$/km. The Commission should specifically:

- Encourage the Member States once again to adopt the proposal for a directive on passenger car related taxes[5] which is currently before the Council and Parliament, and to adapt their vehicle taxation in such a way as to promote the purchase of fuel-efficient vehicles;
- Improve the effectiveness of the directive on $CO_2$ labelling of cars[6], in line with the commitment made by the Commission;
- Ask automotive manufacturers to sign a binding code of conduct, at an early date, on vehicle marketing and advertising in view of promoting fuel-efficient cars;
- Propose a ban on advertising for car models whose $CO_2$ emissions are 50% above the fleet average.

### Light commercial and heavy duty vehicles

**22.** The ETUC also calls on the Commission to propose without delay appropriate regulatory proposals for limiting CO2 emissions from light commercial vehicles, heavy duty vehicles and two-wheel vehicles.

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[5] COM(2005)261

[6] Directive 1999/94/EC

# 3 ETUC's position ON THE CLIMATE CHANGE AND ENERGY PACKAGE

Executive Committee, 4/03/2008

The ETUC considers climate change to be a major threat to our societies and our economies, one that will impact first and foremost upon the most vulnerable individuals and workers, particularly in the developing countries. The European Union, together with all the industrialised nations, must take the lead in this combat and transform emissions reduction into an opportunity to create quality jobs and lessen social inequalities, while reducing the negative effects on workers and their families.

The Commission's legislative proposals presented in the Energy and Climate Change package are a major step because they tackle greenhouse gas emissions in a greater number of sectors, they provide a credible framework for the development of renewable energy sources and aim to put in place a more effective emissions trading scheme, particularly by setting an EU-wide emissions ceiling.

The ETUC nevertheless insists that social and employment issues must be taken into account, particularly in a globalised context, in line with the recommandations of its European-wide study "employment and climate change"[1]. Given the tremendous economic and social stakes and the growing communautarisation of climate policy, the ETUC calls for the establishment of a consultative committee of the European social partners on the energy¬climate change package and the launch of real social negotiations between social partners on the economic and social consequences of the package.

This document sets out the ETUC's position on the package's legislative proposals -, with the exception of the proposal on geological storage of carbon dioxide -and proposes complementary measures to reinforce their environmental and social ambitions.

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[1] http://www.etuc.org/a/3673

## 1. INCLUDING THE CLIMATE PLAN IN THE LISBON STRATEGY AND SUSTAINABLE DEVELOPMENT

The ETUC supports real integration of the climate policy and the Lisbon Strategy for growth and jobs.

### 1.1. Just employment transition programs

**Just employment transition programs** are the best way to guarantee that structural changes in employment patterns due to climate change mitigation are anticipated and the potential of new jobs tapped while ensuring that workers are not forced to pay for the necessary mitigation measures through the loss of their livelihood. Such programmes should include: anticipation of changes in employment and skills; training opportunities to develop new sustainable industries and services as well as research and development; support for provision of alternative employment and income protection for displaced workers; and public investment.

The ETUC also asks that the **Globalisation Adjustment Fund be enlarged** so as to limit the negative consequences for workers of measures to combat climate change.

### 1.2. A European financial initiative for sustainable growth.

A large share of the investments required to achieve the package's objectives cannot be borne by the financial market because the return periods are too long: railway infrastructure, thermal renovation of buildings, R&D, transfers of best technologies to the developing countries and so on. Massive financing geared towards the general interest must be raised in a fairly brief period of time.

**The ETUC therefore proposes the launch of a European financial initiative for sustainable growth.** The European Investment Bank (EIB) could raise funds on the international bond market and onlend them together with subsidies to governments that invest in combating climate change and promoting energy savings. This initiative would result in a temporary increase in public deficits but would have other collateral benefits: creating jobs, forestalling the slow recession that is looming on the horizon, while defending purchasing power and quality of life in Europe.

### 1.3. A coordinated initiative by the Member States on skills for a low carbon economy

The ETUC also urges the Commission to propose a **coordinated initiative by the Member States to develop initial and vocational training curricula to create the skills** capable of meeting the needs of low carbon economy. The Commission should also launch the initiative on training foreseen in the Action Plan for Energy Efficiency for 2008.

## 2. BINDING CONSULTATION OF THE EUROPEAN SOCIAL PARTNERS ON CLIMATE CHANGE POLICIES

The ETUC welcomes the fact that the climate package's umbrella Communication notes that the process of change to a low carbon economy will need to be accompanied by the appropriate involvement of the social partners. The ETUC will respond positively to the invitation made by the Commission to take up the climate change issue in the social dialogue of the European social partners.

For the ETUC, it is also necessary, as the Commission proposes to give the European Union a bigger role in European climate policy, for the social partners to be consulted on a permanent basis on the economic and social consequences – positive and negative alike – of those climate change policies. The one-off consultation prescribed by the directive on revision of the emissions trading scheme (ETS) is not sufficient.

The energy package will not succeed unless solutions are negotiated by industry, workers and the public authorities, the pledge of a genuinely democratic and fair transition to a low carbon economy. A number of Member States have already put in place mechanisms for consultation of the social partners. These have demonstrated their effectiveness at increasing awareness of the efforts needed among the social players and achieving emissions reductions without a negative impact on employment.

**The ETUC therefore calls on the Commission, European Parliament and Member States to make it obligatory, under the Emissions trading directive, to consult the European social partners, in particular the trade unions, on all related decisions, including those resorting to comitology, and to establish to that effect a permanent consultative committee of the European social partners**

**aiming at minimizing, anticipating and managing the economic and social impacts of the climate and energy package.**

## 3. 20% EMISSION REDU20% REDUCTION BY 2020 IS A MINIMUM

The ETUC considers the 20% target set by the European Union in the case of the absence of an international agreement a minimum. The latest report by the IPCC experts, published before the Bali Conference, recommends that the industrialised countries achieve a 25% to 40% reduction in emissions by 2020 from 1990 levels.

## 4. EFFORT SHARING BETWEEN MEMBER STATES

The ETUC approves the sharing of emission reduction efforts between Member States proposed by the Commission – on the basis of GDP per inhabitant -, because it is based on the principles of solidarity between the Member States.

## 5. PRIORITY SHOULD BE GIVEN TO ENERGY EFFICIENCY

Such targets for the reduction of emissions will be hard to attain at a reasonable cost, however, if energy consumption continues to grow. That is why the ETUC regrets the absence of binding energy savings objectives in the legislative package. Given the insufficient results of the Action Plan for Energy Efficiency adopted in 2006, the **ETUC calls on the European authorities and the Commission to set a legally binding target for energy efficiency by 2020, broken down into national targets**.

## 6. BURDEN SHARING BY THE ECONOMIC SECTORS THAT TAKES ACCOUNT OF THE NECESSITY OF MAINTAINING A SUSTAINABLE INDUSTRIAL BASE IN EUROPE

For the ETUC, the principle of fairness and the potential for reduction of emissions in reference to best available technologies (BAT) are the key elements that must guide the setting of targets for the different sectors. Yet, judging from the objectives proposed by the Commission, European industry will have to make twice the effort of sectors with so-called "diffuse emissions" (transport, construction and agriculture). **The ETUC considers this calculation questionable and calls on the Commission to provide details on the underlying methodology**. The Commission seems to have underestimated important parameters: on the one hand, the reduction potential at negative cost in construction, which can also create many jobs and reduce energy poverty; on the other, the possible loss of competitiveness of sectors exposed to international competition and its impact on employment.

**The calculation of burden sharing between the economic sectors should be based on parameters that reflect in particular best available technologies and potential costs and benefits for employment.**

## 7. REVISION OF THE EMISSIONS TRADING SCHEME (ETS)

The ETUC approves of the many improvements made to the emissions trading scheme, in particular a) the single emissions ceiling at EU level, b) enlargement of the system to new sectors, c) the harmonisation of permit allocation methods and the principle of auctioning of emissions permits for sectors protected from international competition, and d) a clear formula to ensure the supplementary nature of flexibility mechanisms.

As regards allocation methods, the ETUC reiterates its support to a combination of selling of allowances and free allocation according to benchmarking principles based on best available technologies, provided that the determination of the share of each mode accounts for the impact on European workers and is determined through consultation of trade union organisations, and implementation is progressive as from 2013.

### 7.1. Competitiveness of European industry

The ETUC is very doubtful as to the way the question of the competitiveness of energy intensive industries in Europe is addressed. The Commission's proposal maintains the possibility of adopting free allocations and border compensation measures to prevent European industry from having to cope with unfair competition from companies in countries that do not apply similar emissions reduction measures. Yet implementing arrangements and the date of implementation are shrouded in uncertainty. The lack of transparency on the rules of the game that will apply from 2012 is particularly harmful to long-term industrial investments in those sectors.

**The ETUC would reiterate that the directive must include an import adjustment system for the energy intensive industries that are exposed to international competition (whether a carbon tax or the inclusion of importers/exporters in the carbon market) with the possibility of activating such a mechanism from 2013 if the other industrialised countries do not regulate emissions in an equivalent way. The impact of carbon pricing on the electricity prices paid by those industries should also be taken into account.**

**Free allocation is supported by the ETUC provided that : a) it is based on the best available technologies b) it is complementary and not alternative to a border compensation mechanism. In the absence of compensation mechanism**, enterprises could sell their free quotas on the European carbon market and still relocate their production in countries where production costs are lower. The free allocation of quotas would amount to a subsidy to these industries without any guarantee on activity and jobs.

The ETUC welcomes the Commission's intention to consult the social partners before the decision on the compensation measures is taken.

### 7.2. Organisation of the carbon market

The ETUC wishes to draw attention to the necessity of preventing possibilities of manipulation and speculation on the carbon market by guaranteeing the transparency and foreseeability of auctions and the accreditation of auction participants. **A Regulatory Authority of the European carbon market should be established.**

### 7.3. Use of revenues of auctioning

The ETUC notes that auctioning of allowances to the electricity production sector will generate very high revenues for the States (estimated at ¤40 billion). **It recommends that a significant part of the proceeds of auctions should be pre-allocated to a) investments in energy savings and public transport so that less favoured households can reduce their dependence on costly energy and transport, and b) to assistance for workers displaced as a result of the transition to a low carbon economy.**

### 7.4. Flexibility mechanisms

**The ETUC criticises the absence of a social and environmental quality requirement for projects conferring entitlement to CDM and JI credits.** The ETUC's position is that CDM and JI projects should be systematically subjected to a procedure of approval by the national public authorities and that the list of evaluation criteria be set at the EU level in order to ensure a level playing field across Europe. The list of criteria should include:

**a.** the project promoter's pledge to respect the principles of the OECD's guidelines for multinationals, the eight ILO basic conventions[2], Convention 155 on Occupational Health and Safety and Convention 169 on Indigenous and Tribal Peoples.

**b.** Social sustainability, covering employment (number of jobs created, skills development, quality of employment), equity and access to essential services such as energy services.

**c.** The involvement of the trade union organisations in the projects approval procedure.

## 8. PROPOSAL FOR A DIRECTIVE ON RENEWABLE ENERGY

The ETUC, considering that renewable energy and cogeneration should rank significantly higher in EU energy consumption, can support the legally binding objective of 20% by 2020. The draft directive contains elements crucial for accelerating that evolution, in particular a) a support mechanism for heating and cooling produced from renewable energy sources, including cogeneration by biomass; b) the obligation for Member States to introduce renewable energy requirements for the local authorities when planning and building industrial and residential areas, and c) the development of accreditation systems for renewable energy installations (solar panels, etc.).

On the other hand, **the ETUC has serious misgivings about the binding target of 10% biofuels in transport**. It appears very complex

[2] Freedom of Association and Protection of the Right to Organize Convention, 1948 (No. 87); Right to Organize and Collective Bargaining Convention, 1949 (No. 98) ; Forced Labour Convention, 1930 (No. 29) ; Abolition of Forced Labour Convention, 1957 (No. 105); Discrimination (Employment and Occupation) Convention, 1958 (No. 111); Equal Remuneration Convention, 1951 (No. 100); Minimum Age Convention, 1973 (No. 138); Worst Forms of Child Labour Convention, 1999 (No. 182)

to establish and implement a system of criteria guaranteeing not only that biofuels provide a real advantage in terms of greenhouse gases compared to fossil fuels, but also that they are produced in a socially and environmentally sustainable way.

**If the binding objective of 10% is maintained, the ETUC calls for the directive to include criteria guaranteeing the social sustainability of biofuel productions and to strengthen environmental sustainability criteria.**

More research is needed on the social and environmental impacts of biofuels.

## 9. SOCIAL COST OF ELECTRICITY PRICES

The Commission anticipates that the climate change package will result in an increase of between 10% and 15% in electricity prices by 2020.

In this context, ETUC calls for measures to prevent negative social impacts of rising energy prices, the priority beeing to reduce energy needs by investing in energy efficiency of social housing and affordable low-energy alternatives. A universal access to essential energy services needs to be secured to all people living in Europe notably through the provision of social tarifs.

The ETUC welcomes that the Commission plans to put out a communication on the social aspects of climate change in 2009. In that context, it urges the Commission to assess the social consequences of the climate change package in a context of opening up of the electricity and gas market, addressing in particular the impact on vulnerable consumers and electricity public service obligations.

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# ETUC RESPONSE TO ECJ JUDGEMENTS VIKING AND LAVAL

Executive Committee, 04/03/2008

## INTRODUCTION

On 11 December 2007 the ECJ gave its judgement in the Viking case, and on 18 December 2007 in the Laval case.

The judgments are of massive importance to the European trade union world, and not just to our colleagues directly affected in Sweden/Latvia and Finland/Estonia. It is deeply ironic that the Swedish and Danish models – the widely respected home of flexicurity are under particular pressure from these cases.

They are different cases with different implications. The consequences of the Laval case for the Swedish system are the subject of social partner negotiations in Sweden, and talks are also underway in Denmark which shares many similarities with Sweden. The Viking case in the meantime has been settled out of court.

These are complex, confusing judgments and some in the European Commission and BusinessEurope are arguing that they only have implications for Sweden, Denmark and the International Transport Workers Federation. But one thing is very clear: for the ETUC and its members the outcome of these two cases represents a major challenge. How to establish and defend labour standards in an era of globalisation? And in these cases the ECJ does not sufficiently recognise and allow trade unions to defend their members and workers in general against social dumping, to fight for equal treatment of migrant and local workers, and to take action to improve living and working conditions of workers across Europe.

Affiliates and their members, as well as progressive politicians around Europe and in the European Parliament are looking to the ETUC for guidance. At the same time, it is also clear that we need further study to assess the cases in their legal and political complexity, in order to decide in more precise detail which measures to take and which demands to put on which table.

In an explanatory memorandum, attached to this resolution, the ETUC provides an assessment of the legal and political merits of the judgements and their possible impact and outlines proposals and recommendations for further action.

This resolution outlines a first ETUC response on key issues.

In the Laval case, the European Court of Justice, by accident or design, has challenged the European Parliament's compromise position on the Services Directive by ruling that collective action by unions to push for **equal pay** for migrant workers with host country workers could be regarded as an obstacle to free movement of services and therefore unlawful. Although the ECJ recognises the right to take collective action to counter social dumping, this would only be justified when **minimum rights** were at stake that apply in the Member State on the basis of legal provisions or generally binding collective agreements.

The Laval case is unclear as to the question of when collective agreements set **standards above minimum levels**; are these standards recognised by the ECJ as applicable standards? A German case – the Rueffert case – will be important on this issue when the judgment is issued shortly.

In the Viking case, although there are positive features to this case, one worrying point in particular stands out. The Court stressed that collective action must be "proportionate" to the issue in dispute. Presumably a court will define "**proportionality**" in the context of each case, so creating intolerable uncertainty for unions involved in virtually any case of industrial action over migration and free movement, a naturally growing area for disputes as Europe integrates its labour and services markets.

Also, the ECJ has given **'horizontal direct effect'** to the four freedoms of the Treaty, which means that any company in a transnational dispute has the opportunity to use this judgement against union actions, alleging that actions are not justified and "disproportionate".

We are being told that the right to strike is a fundamental right but **not as fundamental** as the EU's free movement provisions. At the same time, in some member states, the right to strike is a first rank constitutional right, and all Member States have ratified the relevant ILO and Council of Europe conventions which guarantee the freedom of association, and the right to collective bargaining and strike. The ILO Conventions on labour rights set world wide standards. These are challenged by the ECJ. This is not acceptable. Europe is expecting others to obey these rules, and cannot be a region that infringes the fundamental Conventions. Our fundamental rights are now at risk. So, generally, is trade union autonomy.

For the ETUC and its members, this is unacceptable, and we have to demand and initiate action to repair the damage being done. Unions and workers across Europe are now deeply concerned with defending their national systems – and we risk a protectionist reaction. Bolkestein's proposal for a Services Directive derailed the EU Constitutional Treaty. The Laval case, in particular, could damage the ratification of the EU Reform Treaty as awareness of its implications spreads.

The idea of social Europe has taken a blow. Put simply, the action of employers using free movement as a pretext for social dumping practices is resulting in unions having to justify, ultimately to the courts, the actions they take against those employers' tactics. That is both wrong and dangerous. Wrong because workers' rights to equal treatment in the host country should be the guiding principle. Wrong because unions must be autonomous. And dangerous because it reinforces critics of Europe who have long argued that the single market would inevitably threaten social standards.

Moreover, democratic decisions are being challenged. The European Parliament and the Council, together with European trade unions succeeded in eliminating a redefinition of the Posting of Workers, from a minimum (floor of rights) to a maximum (ceiling of rights) Directive, through the initial Bolkestein proposal. The Posting of Workers Directive was adopted by the European legislator with a broad consensus in the understanding that it would be a minimum directive. In the same way the Lisbon Treaty will have a binding Charter of Fundamental Rights – the main reason for ETUC to support this Treaty. The Laval case challenges these democratic decisions by the European legislator. Thus, the Laval case also includes a democratic problem in the European project. Who make the final decisions? Judges or legislators?

What can be done?

## A "SOCIAL PROGRESS CLAUSE"

Firstly, the ECJ has, in effect, declared unlawful union action to achieve equal pay in certain circumstances. Market freedoms have been ruled superior to fundamental rights. When legislation to introduce the free movement of goods was being introduced, Commissioner Monti, under ETUC pressure, introduced a clause which read " This Directive may not be interpreted as affecting in any way the exercise of fundamental rights as recognised in Member States, including the right or freedom to strike. These rights may also include the right or freedom to take other actions covered by the specific industrial relations systems in Member States."

The Services Directive has a similar clause as follows: "This Directive does not affect the exercise of fundamental rights as recognised in the Member States and by Community law, including the right to negotiate, conclude and enforce collective agreements and to take industrial action."

What the ETUC now wants considered is a broader general clause to address the general implications of the Laval and Viking cases to make absolutely clear that the free movement provisions must be interpreted in a way which respects fundamental rights, and to embed this in the broader concept of social progress. As the new Lisbon Treaty (consolidated text) in its Article 3 (3), sub par. 3, says very explicitly: "The Union shall work for (....) a highly competitive social market economy, **aiming at** full employment and **social progress**".

The clause would have as its objective to clarify the relation between the internal market and fundamental social rights.

A first draft of the text of such a clause could read as follows:

After some introductory references to the relevant texts in the Treaties, and a definition of the concept of social progress it would say:

*"Nothing in the Treaty, and in particular neither fundamental freedoms nor competition rules shall have priority over fundamental social rights and social progress. In case of conflict, fundamental social rights shall take precedence.*

*Economic freedoms cannot be interpreted as granting undertakings the right to exercise them for the purpose or with the effect of evading or circumventing national social and employment laws and practices or for social dumping.*

*Economic freedoms, as established in the Treaties, shall be interpreted in such a way as not infringing upon the exercise of fundamental social rights as recognised in the Member States and by Community/Union law, including the right to negotiate, conclude and enforce collective agreements and to take collective action, and as not infringing upon the autonomy of social partners when exercising these fundamental rights in pursuit of social interests and the protection of workers.*

*The protection of workers shall be interpreted in such a way as to recognize the right of trade unions and workers to strive for the protection of existing standards as well as for the improvement of the living and working conditions of workers in the Union beyond existing (minimum) standards, in particular to fight unfair competition on wages and working conditions and to demand equal treatment of workers regardless of nationality or any other ground."*

It is proposed that the ETUC further consults affiliates and legal experts about this clause, opens discussions with the European Commission (already started with the European Parliament), including an early meeting between the President and General Secretary of the ETUC and the President of the Commission. The status of any such clause will be crucial. What we demand is an instrument with the status and authority needed to give clear directions on the interpretation of the Treaties.

The judgments in two forthcoming cases – Rueffert vs. Niedersachsen[1] and COM vs. Luxembourg[2] – will have to be taken into account.

## THE POSTED WORKERS DIRECTIVE

This Directive was central to the Laval case much of which was about its relevance to the Swedish collective bargaining system. The ETUC now needs to urgently assess the need for revision of this directive and explore among other things the following options:

- the introduction of a clear time limit for the definition of a posted worker, i.e. when a worker stops being a 'posted worker' (that is: being habitually employed for the service provider in the country of origin and only temporarily posted to another Member State) who is only covered by the mandatory rules of the host country via the Posting Directive, and from which moment he must be considered to be a worker moving to another country in the framework of 'free movement of workers', who is undeniably becoming part of the labour market of the host country and therefore must be treated fully and equally according to host country rules (some have suggested a limit of 3 months);
- make mandatory what are currently only 'options' for MS's (to apply all generally binding collective agreements to posted workers, etc.);
- ensure that host country collective agreements can provide for higher than minimum standards;
- make clear that both legislative sanctions and social partner activity including collective action are available to enforce these standards;
- ensure a broad scope for what can be considered 'public policy provisions' that MS's can apply in addition to the nucleus of minimum standards of the Posting Directive.

[1] Dirk Rueffert versus Land Niedersachsen C¬346/06
[2] European Commission versus Luxemburg C¬319/06

## TEMPORARY AGENCY WORKERS DIRECTIVE

We need the speedy adoption of the draft Temporary Agency Workers Directive which has been blocked in the Council of Ministers – a block organised by the UK and German Governments. This Directive is highly relevant to mobility and migration and its principle of equal treatment would reassure unions that the EU was not to be a vehicle for social dumping.

## COORDINATION OF TRANSNATIONAL ASPECTS COLLECTIVE BARGAINING

The ECJ, in the Laval case, does not accept the so called Lex Britannia in Sweden, according to which a collective agreement already applicable to an employer must be recognized unless it is a foreign collective agreement (in this case a Latvian company with a Latvian collective agreement), as this is seen by the ECJ as discrimination.

The clear aim of this law to create a climate of fair competition on the territory of the host country is not recognized as an overriding reason of public policy that can justify such 'discrimination'. It has now become urgent for the ETUC to develop a joint and coordinated strategy with its members to prevent conflicting collective agreements in cross border situations and the potential scope for abuses and manipulation arising from this. This issue should be further developed by the relevant committees and working groups in the ETUC, and this should lead to specific actions such as guidelines regarding the extra¬territorial effects of collective agreements.

## OTHER MATTERS

The Laval case raises questions about the social dimension in public procurement, in particular in connection to ILO Convention 94.

There is also a need for affiliates to co¬ordinate any European litigation with the ETUC so that collective experience can be used to strengthen future cases.

Further actions and activities will be developed by ETUC based on the proposals elaborated in the Explanatory Memorandum.

## CONCLUSION

The ETUC calls on the European authorities to recognise that these cases are not solely about the models in Sweden and Denmark but have European wide implications. We call for early action to reassure unions that fundamental rights are not diminished by the free movement provisions of Europe. Already some are linking ratification of the EU Reform Treaty to correcting these cases. The ETUC supports the EU Reform Treaty, and that's why urgent action is necessary. Because it would be naïve of the European and national authorities to conclude that these cases will not be increasingly in the minds of workers and trade unions.

# 5 A NEW DEAL FOR SOCIAL POLICY

## ETUC'S contribution to the preparation of the "renewed" social agenda – towards a new social action programme

Executive Committee, 4-5/03/2008

### THE CONTEXT

1. The Commission has announced the publication of a "renewed" Social Agenda in June 2008. Discussions and decisions on its contents should happen during the French Presidency of the European Union in the second half of the year. Two contributions from the European Commission seem to be the basis for its internal preparation: the discussion paper from the Commissions' Bureau of European Policy Advisers (BEPA) on "Europe's social reality", published in March 2007[1] and the Communication on "Opportunities, access and solidarity: towards a new social vision for 21st century Europe", published in November 2007[2]. In this Communication, the Commission states that *"in developing this new Agenda, it will review the nature, scope and combination of instruments used in various fields. It will also take due account of the new institutional framework given by the Reform Treaty. Together with the review of the Single Market, this renewed Social Agenda will help deliver further concrete results for Europe's citizens."*

2. Based on the contribution made to the "Europe's social reality" paper, on an internal evaluation on the implementation of the current

[1] See ETUC's contribution to the debate on « Europe's social reality », adopted by the Steering Committee on 7 February 2008

[2] (COM (2007) 726 final

social agenda[3] and on the growing concerns expressed by the trade union movement in relation to the absence of a European Social dimension answering to the new challenges, of both an internal and external nature, Europe is confronted to, the Secretariat decided that preventive action is needed. The objective of the present document is to give ETUCs main views on the role that social policies must play in an enlarged European Union as well as our main proposals regarding the contents of the future "*renewed*" Social Agenda, which in our view should be a new Social Action programme.

3. Discussions for the preparation of this document were held on two specific occasions: the seminar jointly organised with the ETUI-REHS on Europe's social reality, where member organisations also took part, one internal seminar with the members of the ETUI-REHS's research network[4] and the internal evaluation made by ETUI-REHS researchers and ETUC secretariat and advisers on the current social agenda.

## WHAT ARE WE TALKING ABOUT?

4. The ETUC has expressed on various occasions its perplexity at the fact that the name and the nature of the European Union's social programme has been changing over the years. We have moved from a Social Action Programme, with clear objectives, clear measures, clear instruments, to a Social Policy Agenda and finally to a Social Agenda.

5. Semantics are not the origin of these changes! In an unambiguous way, ETUC says from the outset that Europe needs to give a clear signal to its citizens and workers showing that social policies are an integral part of the productive factors. For that reason the Europe Union must be clear about its intentions and about its actions, its objectives and instruments in the social policy field. The European citizens and workers need to rebuild their confidence in the

[3] final 3 Annexed to this document

[4] ETUC: Maria Helena André (Deputy General Secretary), Thomas Janson (Advisor), ETUI-REHS: Philippe Pochet (General Director) , Maria Jepsen (ETUI-R Director), Andrew Watt and Stefan Clauwaert (ETUI-R Senior Researchers), external experts: John Morley, Maria João Rodrigues, Janine Goetschy, Anke Hassel, Jill Rubery, Jelle Visser, Allan Larsson

capacity of the European Commission to take matters into its hand and to use to the full its right of initiative in the social sphere.

6. Also the status and the time span of this “renewed” Social Agenda must be cristal clear in view of the forthcoming appointment of a new Commission next year.

7. The European trade unions are the first ones to recognise, because they have been key players in achieving that, that Europe is the most advanced and developed geographical integration process in the world and that Europe’s specificities in terms of a social safety network are unique in the world.

8. Likewise, trade unions recognise that in the light of the new global challenges there is a need to adapt, to revise, to update our systems. But this will have to be done on a consensual way, through a new deal, honouring Europe’s specific characteristic: on an upwards track, with the aim of being always better in social terms and to set the benchmark to be followed by others. Otherwise resistance among workers and the population towards changes will increase.

9. The EU has a multitude of challenges to address resulting from the impact of the globalisation process, demography and of climate change, to name just a few, that have a clear impact on the labour market, on people’s lives and on the economy in general. But it also needs to give the necessary answers on how to combat gender discrimination on the labour market in a time of increasing share of women’s participation in the labour market. It also needs to implement a new intergenerational pact, between the young workers seeking access to the labour market and older workers wishing to carry on with their active life, or to integrate successfully, in the labour market and in society, migrant workers.

10. Facing these is even more complex when the current situation is far from bright. Alongside with the many successes of the European Union in economic and social terms and its positive impact on important sectors of our population, the increase in inequalities and its consequences on millions of European workers and citizens must be a matter for great concern of the European leaders and for the social partners.

11. European workers experience an increased vulnerability, their general purchasing power has stagnated and often policies promote higher job insecurity and weaker social protection systems. Many workers experience a loss of jobs and of income in the wake of globalisation and some of them start being put under pressure by climate change mitigation policies, especially in the heavy industry. Raising energy and commodity prices puts a heavy burden on the low and middle income households Hedge funds, financial capital and companies have almost unlimited possibilities using the conditions offered by globalisation for the simple exclusive purposes of their shareholders while at the same time workers actions are being stymied. The recent judgements of the Viking and Laval cases are a clear example of that and at this stage the full consequences of these judgements are not yet known, but the lessons drawn from them will certainly have a clear impact on Europe's social policies.

12. Europe's priority policies must be based on the real situation on the ground, on the labour market and on the issues which affect European workers and citizens.

13. The challenges imply huge changes in the terms of the way work and working time are organised, the offer of new qualifications and skills and the recognition of the acquired ones. Europe's policies for full employment must be combined with policies that promote job quality and social progress. The EU must acknowledge the link between a high quality working life and high quality products and services as fundamental for the promotion of Europe's competitiveness. Participation in lifelong learning, career progression and influence over decisions in the workplace, stable employment relations, gender equality, a high standard of health and safety and innovative and negotiated forms of work organisation are parts of the answer to meet the challenges of the changing world of work. They are also part of a balanced and acceptable flexicurity agenda.

14. Access to high quality education and health care provisions, to child and elderly care, to decent housing and to the capacity to be an active member in the society, taking into consideration the new family patterns (with the consequent need to continue progress towards the individualisation of rights in terms of social protection), the need for active inclusion of all, independently from one's sex, age, ethnic

origin, sexual orientation, disability or origin are part of the answers to the changing society. At the same time, the social impact of future enlargements of the European Union should not be underestimated and should also be addressed.

15. Europe's demographic evolution call for strong measures to be taken in order to ensure the long term sustainability of public systems of social protection, notably in the areas of pension rights, health care and long term care. Linked to this is the strengthening of social cohesion in the EU, which will depend on the capacity to fully implement and to further develop the European strategy to fight against poverty and social exclusion. The role of progressive and fair tax systems cannot be ignored in this context. It is very important to avoid that future generations will have to bear the burden of the demographic change in our societies.

16. We must not forget that the EU has a social objective, which is an integral part of the Lisbon strategy; to support social progress, a high level of employment for women and men including improved living and working conditions, advancing proper social protection and dialogue between management and labour as well as to achieve balanced and sustainable development. This objective cannot be reached without strong social policies at all levels, including at the European one and through a multitude of coordinated and mutually reinforcing policies as well as with the necessary instruments, including legislation and financial support when necessary, including via the European Social Fund.

17. The ETUC considers that action is needed on the following priority areas:

- Strengthening the "renewed" Social Agenda as a policy instrument.
- Strengthening action in a number of policy areas.
- Strengthening the follow up and implementation of social policies.
- Strengthening the role of the social partners, social dialogue and decide on a system for transnational collective bargaining.

## STRENGTHENING THE "RENEWED" SOCIAL AGENDA AS A POLICY INSTRUMENT

18. The aim of Europe's social policy cannot restrict itself to balancing the negative social consequences of the Internal Market but must also advance Europe's social objectives in an enlarged European Union and a global world. Dealing at the same time with the internal and external dimensions requires a considerable step forward, both in terms of detail and ambition compared to previous exercises. In an age of uncertainty and insecurity the Social Agenda needs to restore confidence and be an active element of social progress.

19. The Social Agenda should rest on the three social pillars of the sustainable development strategy: people, progress and planet. Europe must set the example and combine a strong environment strategy with full employment, high levels of education, of innovation and technological maturity, equality between women and men, an efficient public sector, good (social) infrastructures, a high level of welfare and a fairer distribution of richness.

20. Probably one of the questions to address in the context of the post-Lisbon strategy should be how best to have one single European strategy, translated into several areas of action with common objectives, instead of having several strategies, declined into different sets of policies often with little relationship and sometimes even contradictions between themselves? This single strategy of growth, jobs and sustainable development would certainly increase the possibilities for implementation of EU policies in an equally balanced way in order to achieve economic growth, full employment, social cohesion and ecologically sustainable development.

## STRENGTHENING ACTION IN A NUMBER OF POLICY AREAS

### AIM FOR A SUSTAINABLE WORKING LIFE INCLUDING A GOOD LEVEL OF WORKING CONDITIONS AND STABLE CONTRACTUAL RELATIONS

21. For the ETUC a sustainable working life means a good level of health and safety at the workplace taking into account also new risks, a working life where workers do not wear themselves out due to work.

It also involves modern and stable contractual relations giving possibilities for career advancement, security, equal pay for work of equal value and reconciliation of working, family and private life. To prioritise actions to stop all types of discrimination including gender discrimination is essential for a sustainable and fair working life.

### Labour law and contractual relations

22. A part of the European social model is workers' rights, including employment protection legislation. The ETUC is worried with the dilution and deterioration of contractual relations occurring in Europe. Abuse of European and national legislation or lower employment protection legislation will not result in a better or more sustainable labour market, on the contrary. A proper legal European and national framework will favour more investments in human capital and in innovation and strengthen workers' rights.

23. Legislation adopted at the European level clearly states that non-standard forms of work should remain the exception and not become the rule; open ended contracts should prevail as the rule with regard to contractual arrangements in Europe's labour market.

24. This implies that not just the strengthening but also the respect, the implementation and the monitoring of the social acquis is taken seriously by the European Commission, the Member States and the social partners.

25. Actions to be developed:

- A more consistent follow-up of the European directives in the social policy field, including those that result from framework agreements by the European social partners as it is the case of the fixed term contracts and part time work directives: this must be done in close consultation with the European social partners.
- Adequate measures must be taken in those countries where the exception has become the rule.
- Legislative measures with regard to specific forms of non-standard employment relationships (economically dependant workers, domestic and home workers...) with the active involvement of the social partners and with the objective to improve the situation of workers.

- The European Commission should promote that all countries define national policies aiming to implement recommendation 198 of the ILO on the scope of the employment relationship; trade union organisations should be fully associated to this.

### Public services

26. Public services are an important part of the economic and social system of each Member State and -by permitting the realisation of collective interests – constitute a pillar of the EU's social and economic cohesion. They represent one of the key instruments for realising the objectives of job creation, sustainable development and a knowledge-based economy.

27. Actions to be developed:

- To apply a moratorium in order to halt the ongoing policy of liberalisation. The current policy has not led to more competition but instead the replacement of a public monopoly by large quasi-monopolistic private groups. Added to this, liberalisation has frequently led to job losses, worsened employment conditions and has not contributed to a increased accessibility and quality.

### Health and safety

28. The success of EU-legislation on health and safety at work must be safeguarded and improved. The ETUC considers that the new health and safety strategy 2007-2012 underestimates the fact that the main cause of work place related deaths results from illnesses and especially from cancers resulting from chemical substances. Furthermore, it does not take consistently into consideration the recent adoption of REACH, concerning chemical substances.

29. Due to the rise of atypical contracts in Europe and the extra risks for this group of workers, the ETUC calls on the Commission to monitor more systematically the application of health and safety directives among those workers and especially to assess the practical implementation of the directive on the health and safety of workers with a fixed-term contract or temporary workers.

30. A particular attention should be paid to the structural elements of preventative systems: the Labour Inspection, Preventative Services and Workers' Representation for Health and Safety. The Commission should monitor the situation and presents concrete initiatives in order to improve the present situation.

31. The ETUC also calls for:

- More coherent preventative policies for chemicals risks seizing the opportunity given by REACH and, in particular, the adoption of common limit-values in the European Union for the most dangerous chemicals.
- The quick adoption of a revised directive on carcinogenic agents.
- The revision of the directive on pregnant workers in line with the European Parliament's recommendations.
- Directive on musculoskeletal disorders.
- Initiatives for a better prevention in the field of psychosocial factors at work.

### Innovative and knowledge-based workplaces

32. The ETUC wants to emphasise the importance of the quality of employment, i.e. jobs compatible with skills and expectations where autonomy and control of work are in balance and where the knowledge, skills and capacities of all workers are fully utilised. We need smart growth instead of destructive growth.

33. Tackling climate change is likely to bring about large scale changes in current employment and working patterns as the recent ETUC study on climate change and employment showed. Appropriate tools are necessary to ensure that changes are anticipated and managed fairly, namely new information and consultation rights for workers and their representatives on the company's environmental policy, renewed social dialogue and support measures for workers displaced.

34. Currently, the lack of a skilled workforce is a barrier to achieving ambitious emission reduction objectives. There is a need to train hundreds of thousands of workers to cope with the rapid uptake of renewable energy and energy efficiency activities. Improving working

conditions in those new sectors will also turn them into more attractive job opportunities and contribute to the dynamism of the sectors.

35. This requires the right of access to lifelong learning, the recognition and transferability of formal and informal competences that facilitate personal and professional development, the promotion of special programmes where jobs are threatened by restructuring, the safeguarding of professional paths through professional requalification, the maintenance of workers' rights and the right to income support during the transitions between jobs.

36. Actions to be developed:

- To place the quality of employment at the centre of the reviewed Lisbon strategy.
- To develop a more concerted action for tackling gender pay gap in the framework of the Employment Strategy and in particular the Employment Guidelines,
- To address the question of low wages and working poor. Targets for the reduction of the number of working poor and/or of those earning starvation wages must be reintroduced into the integrated guidelines.
- To introduce targets for other kinds of care facilities (for the elderly, etc.), in addition to the target for child care in order to improve total employment rates and reduce the difference between employment rates for men and women.
- To change the rules of access to the Globalisation Adjustment Fund in order to open to cover off-shoring operation inside the territory of the European Union as well as to widen the access, including through the reduction of the number of workers touched in order for the Fund to intevene and to promote in a coherent way the actions of this Fund and those from the European Social Fund.
- Based on the experience acquired with implementation of the Globalisation Adjustment Fund, the EU budget should contribute to help workers affected by both changes linked to the transition to a low-carbon society and from traditional industrial sectors, assisting them in their skills improvement and their job search. A preventative approach in terms of tailor-made measures should be privileged.
- To present a Commission Communication on "Green Jobs" and low carbon labour market, including proposals in the field of initial

and vocational training, anticipating and managing the changes associated with the transition to a more sustainable economy and strengthening the European industrial base in a context of globalisation.

### Ensuring a vital Internal Market by mitigating its risks – the promotion of strong social protection systems

37. Europe has the responsibility to provide a European framework for the Internal Market to evolve in such a way as to prevent social dumping and to ensure adequate macro¬economic demand on the internal market. The proposals of the renewed Social Agenda will be crucial in increasing people´s confidence in the European Union. Social and economic cohesion and competitiveness are not incompatible but are parts of a beneficial circle upwards.

38. For the ETUC the promotion of employability is not enough. In order to be ready to take risks and to accept change, workers need to feel secure. Social protection systems must play that role and provide individuals with opportunities for education, rehabilitation and adjustment by offering more security to the tens of millions of European workers who change jobs or risk losing their job each year. In this context, special attention must be given to the people furthest from the labour market or that are at risk of poverty and social exclusion. The specific gender dimension of low wage earners and of working poor is a reality of our societies.

39. The Social Agenda must ensure a basis for an upwards mobility and that the gains from the Internal Market and globalisation are broadly shared, so that social policies are in place to facilitate adjustment of those workers adversely affected by globalisation and technological change. Only in this way will it be possible to maintain a support for an open economy.

40. In this framework the ETUC is very worried that the judgements in the Viking and Laval (with the Rüffert case not yet decided ) put together will severely limit the possibilities for trade unions to negotiate equal conditions for posted workers compared to host country workers and thus distort competition in the Internal Market.

41. Actions to be developed:

- The inclusion of the Monti clause[5] in all legislation on the single market in order to ensure that the implementation of the four fundamental freedoms of the single market does not impede collective bargaining rights and the right to strike as defined by national legislation. Also, in the light of the Reform Treaty, a reference to the Charter of Fundamental Rights should be included. The solution found in the Services Directive, not totally satisfactory was a right step in this direction.[6]
- The single market strategy should strengthen social welfare, workers' rights and ensure fair working conditions. The new horizontal social clause introduced into the Lisbon Treaty has to be visible in the proposals of the Commission. Therefore, the ETUC asks for all Single Market legislation to include a social clause to protect social standards, specifying that the legislation should not affect social security rules, social welfare systems and working conditions. For instance in the Services Directive, the ETUC has fought with success for the insertion of a clause to protect labour law and social security[7] which needs to be further developed.
- Execution and enforcement of the legal framework for cross border mobility of workers, insisting on the principle of equal treatment in terms of wages and working conditions applying to the place where the work is done, equal access to social support systems and the portability of rights, including transnational trade union rights.
- The improvement, adoption and correct implementation of the current proposal for a directive on supplementary pensions.

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5 “This Directive may not be interpreted as affecting in any way the exercise of fundamental rights as recognised in Member States, including the right or freedom to strike. These rights may also include the right to take other action covered by the specific industrial relations systems in Member States.”; EC Reg. 2679/98

6 Article 1.7 “This Directive does not affect the exercise of fundamental rights as recognised in the Member States and by Community law. Nor does it affect the right to negotiate, conclude and enforce collective agreements and to take industrial action in accordance with national law and practices which respect Community law.”

7 Article 1.6: “This Directive does not affect labour law, that is any legal or contractual provision concerning employment conditions, working conditions, including health and safety at work and the relationship between employers and workers, which Member States apply in accordance with national law which respects Community law. Equally, this Directive does not affect the social security legislation of the Member States.”

- To remove the barriers/obstacles to workers' geographical and professional mobility,
- i.e. by implementing the European Job Mobility Action Plan (2007-2010).
- Insist that social criteria, including respect for collective agreements and employment rights, are integrated into public procurement contracts.
- The quick adoption of the regulation allowing for the application of Regulation 883/2004 on the coordination of social security regimes.
- The guarantee of a decent income and a decent wage across the EU, in order to promote people's dignity and the elimination of the working poor.

### Need for an intergenerational contract

42. Young people and older workers are more fragile and vulnerable at a time when employment is particularly unstable.

43. For two thirds of young Europeans, employment means short-term contracts, part-time work without the option of working full-time, temporary work, seasonal work, undeclared work, child labour (which many wrongly believe is only a problem outside Europe) and so forth. These experiences are combined with difficult working conditions, low wages, a lack of training, gaps in social protection and meagre career prospects.

44. Encouraging young people to become independent today comes down to giving them back the right to make their own life-style choice(s) (personal and professional) and not, as is currently the case, in leaving them to cope with a situation that leaves them without hope for the future.

45. On the other hand, life expectancy is longer and therefore a greater attention must be given to the particular needs of older people in general and older workers in particular. This is another area where proposals must be innovative and not primarily, or almost exclusively, directed at the family.

46. The development of active ageing strategies and assistance in getting young people into the labour market lie at the very heart of a true intergenerational approach.

47. Active labour market policies must prevent all risks of social exclusion and discrimination against young and older workers as well as disabled persons.

48. combat the difficulties faced by workers in general -both young and older workers -as regards employment. Policies must be combined with measures to improve the situation for young and older workers on the labour market.

49. Actions to be developed:

- To promote the implementation of the “Youth Pact Programmes” at Member State level as well as measures that encourage the solidarity between the generations; the social partners should be closely associated to such actions.
- Promote the establishment of observatories on changes in professions and qualifications, putting an end to the existing stereotypes in terms of career choices of young girls or boys.
- To continue to make a commitment to improve the quality of jobs and to fight for decent work for all by addressing the precarious nature of jobs. Efforts must be made to promote health and safety at work and access to social security for all (which will also prevent some young people from moving into the informal economy and older workers from being prematurely excluded from the labour marker because they did not have or were not offered the possibility to adapt to the labour market evolution).
- Provision of long-term care must be guaranteed and provided in high-quality facilities and by qualified staff. Similar action needs to be taken in this area as has already been taken as regards childcare for young children outside the family unit, i.e. care provided in approved facilities and/or by qualified carers. This would then be a sector that would create recognised and qualified jobs and one that would be economically beneficial for social security resources.

## A more proactive policy on economic migration, more investment in integration

50. It is high time to recognize the need for more proactive policies with regard to migration and integration at EU level, that are based on the recognition of fundamental social rights of current citizens as well as newcomers, and that is embedded in strong employment and development policies, both in countries of origin and in countries of destination. A common framework of EU rules on admission for employment is urgently needed. However, this framework should not be aimed unilaterally at the demand for temporary migration, as this would favour precarious jobs and hinder sustainable integration.

51. Strengthening the capacity of the EU, member states and social partners to provide and maintain fair and just working and living conditions and proper social protection for all Europe's inhabitants, local workers as well as immigrants, in a framework of equal rights and equal opportunities is of major importance to guarantee social cohesion and peaceful coexistence in the labour market and in society. This would allow citizens and workers to value the positive contribution migrants are making to our economies and societies, and to see migration and integration as a positive challenge instead of a negative threat.

52. A stronger emphasis is needed on integration as a two way process, demanding not only from old and new migrants to adapt to their new working and living environment, but also from the receiving workplaces and communities to welcome and reach out to the migrants and their families.

53. Actions to be developed:

- The European Commission should present proposals for Directives that open up of possibilities for the admission of economic migrants at all skills levels to prevent a two-tier migration policy.
- To develop policies and measures to combat labour exploitation especially of irregular migrants and providing them with bridges out of irregularity.
- To develop policies, in cooperation with sending countries, to prevent brain drain; these should be linked to trade and development policies that promote rising living standards and opportunities in sending countries, which would allow (potential) migrant workers

and their families proper job opportunities at home.

- The promotion of stronger integration policies with regard to employment, education, living and housing conditions and public services.

### ADVANCING RIGHTS AND WORKING LIFE QUALITY OUTSIDE THE EUROPEAN UNION

54. The Union must promote a transparent approach to external trade. The ETUC expects the EU to align its trade policy with the principles it promotes in its policies and treaties, in particular the Charter of Fundamental Rights, namely the primacy of human rights, trade union rights and the core conventions of the ILO – the social, health, environmental and cultural rights of peoples -over trade competition rules. There can also not be optimum development without a parallel social development. These concepts must go hand in hand if economic progress is to be fully effective and thus improve the way of life and the welfare of the people concerned.

55. The objective is to ensure the incorporation of the European social model into external dialogue and measures at bilateral, regional and multilateral level. Strong ethical and humanitarian standards should be an integral part of global trade. Policy coherence is therefore a requisite.

56. Actions to be developed:

- To ensure the primacy of human and trade union rights in trade and partnership agreements. To push for the establishments of social clauses in these agreements.
- An active dialogue between stakeholders on the trade issues and external policies.
- The EU should support consumer purchasing and awareness towards the ethical and responsible. The EU can provide the authority for a scheme to which all initiatives can subscribe.

## STRENGTHENING FOLLOW UP AND IMPLEMENTATION OF SOCIAL POLICIES

57. The EU has since the first Social Policy Agenda 1989 decided on legislation promoting social progress. A good basis exists. But in

many cases social policies protecting workers are not properly implemented by Member States. The Social Agenda should therefore focus on the instruments of implementation where the social partners should have greater possibilities in monitoring and acting on the implementation.

58. Actions to be developed:

- To ensure a more effective monitoring of the social acquis, with the active participation of the social partners.
- To establish possibilities for the European social partners to submit their observations in cases submitted before the ECJ, in particular on cases concerning trade union/ workers' rights and those relating to their EU social dialogue framework agreements.

## THE ROLE OF THE SOCIAL PARTNERS IN EUROPE

59. To respond to external and internal developments it is crucial to establish a better system of management of change. In the framework of the European social model, the social partners have a unique role which also strengthens the European Union's ability to handle challenges and to manage change. Experience has also shown that social partners' involvement strengthens the implementation of social acquis. The improvement of the social dialogue, collective bargaining and rules on information and consultation are all parts of this system.

60. In this context, attention should be drawn to the particular importance of the regulatory role played by employers' and trade unions within the European social dialogue, both at the interprofessional and sectoral levels, as well as national industrial relations' systems. Collective bargaining has a positive impact on economic and social cohesion. European legislation on information and consultation also helps workers and companies to anticipate and mitigate change.

61. The ETUC proposes that one of the focus points of the forthcoming Social Agenda would be to strengthen social dialogue and collective bargaining.

62. Actions to be developed:

- The European Commission should facilitate discussions at the European level with a view to the establishment of a dispute settlement system and the creation of a specific chamber at the European Court of Justice, with the participation of the social partners, devoted to social and labour problems.
- Strengthen the content of the Tripartite Social Concertation and the Macro Economic (Social) Dialogue.
- The Commission should ensure a proper consultation to the European Social Partners in the framework of Article 138 EC for every (legislative) proposal that might have an impact on and/or concern social policy in general and the rights of workers and their representatives in particular.

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**ANNEX:**

## ETUC/ETUI-REHS MID-TERM REVIEW OF THE IMPLEMENTATION OF THE COMMISSION'S SOCIAL AGENDA 2006-2010

### INTRODUCTION

"A social Europe in the global economy, jobs and opportunities for all" that was and presumably still is the motto of the Social Agenda covering the period up 2006-2010. Being half way there in 2008 and as it is announced in the Social Agenda itself, it is necessary to take stock of the progress made not only in the implementation of the foreseen policies as such, but also about the participation of the players in this implementation. Despite the fact that the Commission has not yet engaged in and delivered its own mid-term review of the implementation of this Social Agenda, it announced via different ways and in particular the Communication on "Opportunities, access and solidarity: towards a new social vision for 21st century Europe" (COM (2007) 726 final of 22.11.2007) its intention to engage in the "preparation of a renewed social agenda".

Therefore, and in particular to prepare its own position towards any "renewed" Social Agenda, the ETUC, in close cooperation with its institute, the ETUI-REHS, conducted its own mid-term review. Below, we provide a summary of what ETUC/ETUI-REHS consider to be the main successes, failures and lacunae in the implementation of the current Social Agenda and it is hoped that amongst others the Commission will take this seriously into consideration when elaborating any (re)new(ed) Social Agenda.

## ETUC/ETUI-REHS'S ANALYSIS

From the outset it should be reminded that although ETUC welcomed in general the initiative of a Social Agenda, it had put serious doubts and question marks next to the overall (lack of) ambition of the Commission in acting in the social field in general and on the often vague way (both from an action and time-frame point of view) it intended to do so[8].

### 1. Achievements

Concrete achievements which should be welcomed are:

- The campaign among all relevant stakeholders in order improve the governance of the EES and to sensitise the ESF players;
- The long-expected launch of the **second phase consultation on the revision of the European Works Councils Directive**;
- The **adoption of Directive 2007/30/EC** which will hopefully allow a rationalisation of national reports regarding the implementation of directives in the health and safety area;
- Different programmes relating to health and safety financed by the Community funds in the framework of the PROGRESS initiative in order to strengthen the capacity of administrations and social partners in ensuring effective implementation of health and safety directives;
- The continuous willingness and concrete actions to strengthening logistics and technical support to EU cross-industry and sectoral social dialogue;

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8 See ETUC's initial comments – 25.05.2005

- The establishment of the high-level group to assess impact of enlargement on mobility which already led to good debates and results and the Commission's report for the Council on decision to be taken on transitional periods which takes rightly account of the social partners' position;
- The concrete work undertaken in order to amend the Regulations on the coordination of social security schemes, in particular Regulation n° 833/2004;
- The introduction of OMC in the fields of health and long-term care;
- The consultation of the Communication on "Modernising social protection for greater social justice and economic cohesion: taking forward the active inclusion of people furthest from the labour market" (COM (2007) 620 of October 2007).

## 2. Realised, BUT....

- **The Green Paper on "Facing demographic changes – a new solidarity between generations"** -despite this, young people have more and more difficulties to find stable employment whereby they enter later and later on the labour market whereas older workers are (often forced) leaving the labour market earlier and earlier;
- **Incorporation of the European social model into external dialogue and measures at bilateral, regional and multilateral level**: several initiatives have indeed been taken or are envisaged, but it is amongst others regrettable to note that the Commission rejects enforcement mechanisms to ensure the application of the social objectives by parties in the FTA's, applies rather a piecemeal than a holistic approach in Economic Partnership Agreements with ACP countries, and that in almost all bilateral relations the employers were afforded a structured input while the trade union views appeared to be heard under sufferance if at all;
- The different initiatives taken in relation to the **"promotion of decent work" agenda** are indeed to be welcomed but again cooperation with the European social partners, in particular the trade unions, was far from satisfactory and should be enforced;
- **Flexicurity** has become the core of the EU agenda; it remains to be seen how the common principles will be implemented and how the social partners will be associated to that exercise;

- The **Green Paper on Modernising Labour Law** has indeed been launched and created "a lot of commotion" in all corners and circles of Europe. Given the "turbulence" created around it but also the (non)-follow up given to it, this exercise proved rightly so a no-go/fly from the start;
- The launch of consultations concerning **cross-border transfers of undertakings** although it showed little ambition and neglected key aspects such as transfers through a change of ownership;
- **A new Strategy on Health and Safety at work for 2007-2012** has indeed been adopted but can be considered as the most weak one ever adopted in this area since 1978 (e.g. complete underestimation of fact that cancer due to exposition of chemical agents is the main cause for mortality linked to work, no recognition of the recently adopted REACH regulation, etc.;
- The Commission has launched a lot of **consultations under article 138(2) EC Treaty** but hardly any concerned proposals for the introduction of new social acquis;
- Very regrettably the **proposal for a Directive on the portability of supplementary pension rights** has throughout its process been emptied of its substance and nevertheless received no acceptance in the Council, the problem remains thus still unsolved;
- Via the "Integrated Guidelines 2005-2008 – Guidelines Employment: n° 19" and the EURES Guidelines 2007-2010 it is indeed tried to **facilitate free movement of workers and persons,** but the recognition of role of social partners and in particular of trade union organisations should be further enhanced and supported;
- Several actions to ensure **equal opportunities for people with disabilities** have been taken (new Action Plans, etc.), but no reaction so far to the longstanding plea of ETUC and concerned NGO's for a proposal for a directive on prohibiting all forms of discrimination in areas beyond employment such as access to housing, education, culture, etc.;

## 3. No action yet, but urgently needed.....

- If the **Commission's interdepartmental group on promoting the external dimension of employment** has indeed been set up, this happened completely unnoticed and in any case without any social partner involvement;

- The announced initiative for 2005 on the **protection of personal data of workers** is still awaited for;
- Although scheduled and announced for 2006/2007, no concrete action took place on the consolidation of various provisions on worker information and consultation;
- Several actions (studies, seminars) were taken in order to arrive at the proposal for an **optional framework for transnational collective bargaining**, but the concrete proposal is still awaited;
- The announced launched for a proposal of a Directive on "cross border health care"

## CONCLUSION

By way of conclusion, the ETUC regrettably notices that, although several good initiatives have indeed been undertaken, the bulk of announced initiatives are to be classified in the categories of "Realised… BUT" or "NOT realised and urgently needed"

The ETUC therefore strongly urges the Commission to rapidly step up its action in order to ensure an effective implementation of all envisaged measures and actions and thereby fully take into account the views of the EU social partners and in particular the ETUC. And this irrespectively whether its intends to do so in the framework of the current Social Agenda or a "renewed" Social Agenda.

Mottos and slogans are one side of the coin, concrete progress oriented actions and results form inherently the other side of it!

# Executive Committee - June 2008

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# Resolution "REDUCING THE GENDER PAY GAP"

Executive Committee, 25/06/2008

Fifty years following the establishment of the principle of equal pay for men and women in the first European Treaty, a considerable wage gap still exists between women and men – a sign of the persistent inequalities experienced by women and men in the labour market. The origins of the pay gap are to be found beyond the legal framework – legal action alone is therefore not enough. The pay gap is a complex issue with multiple causes and must be addressed by all the relevant stakeholders, in particular Member States and the social partners. However, there is also an urgent need for action to be taken at the EU level.

This resolution sets out the main elements of ETUC's commitment to reduce the gender pay gap, urging European and national stakeholders including employers' organisations to engage in targeted actions and activities, and – recognizing the key role trade unions can play proposing further actions by ETUC and its affiliates.

1. ETUC and its affiliates have a long standing commitment to achieving equality for all, and especially to achieving gender equality. In its Seville congress in 2007, the ETUC and affiliates committed themselves among other things to *'prioritise actions to reduce the gender pay gap with all possible means, and especially in collective bargaining, by combating low pay, upgrading the value of women's work, and fighting for equal pay for work of equal value'*.

2. The average gender pay gap in Europe is still 15 % on average, but more than 20 % in several countries. The ETUC has included its reduction as one important goal of its 2008 Fair Wages campaign.

3. The negotiation of wages is core business for social partners. Collective bargaining is our key instrument. There is ample evidence that where collective bargaining is strong, wage inequalities are smaller, and this is also true for the gender pay gap. This is one more reason why collective bargaining should be supported and promoted at all relevant levels including the EU level. However, collective bargaining should also be used more specifically to address the gender pay gap and the persistent inequalities women face in the labour market and the workplace.

4. The Social Partners at EU level agreed in 2005 on a Framework of Actions on Gender Equality, agreeing on 4 priority areas for action, one of which is equal pay. Although this framework of actions has already played a useful role in a number of areas, it has been difficult to put the issue of equal pay higher on the agenda of employers and their organisations. It will therefore be necessary to increase the pressure on them at every level.

5. One area for urgent action is the wage penalty apparently linked to part time working. This requires an evaluation and possible revision of the Part Time Directive, based on an agreement between the European social partners, prescribing equal treatment between full time and part time workers. But it also requires more targeted and effective actions in collective agreements.

6. The European Commission published a Communication on "Tackling the pay gap between men and women" in August 2007. The aim of the Communication is to examine the causes of the pay gap and put forward some possible ways of reducing it. Attached is the proposed ETUC position on this Communication, earlier drafts of which were discussed with the ETUC Women's Committee and the Collective Bargaining Committee. ETUC broadly supports the Commission's initiative particularly as it proposes improving the legal framework, which presents us with a rare opportunity to obtain important legal reform. In addition, the communication proposes stepping up action in the framework of the European Strategy for Growth and Jobs, encouraging employers and public authorities to play a stronger role in eliminating unequal pay, and supporting exchange of good practice.

7. While welcoming the thrust of the Communication, ETUC would like to see more concrete measures proposed by the Commission. The most important ones are:

**a.** further strengthening the legal framework;

**b.** re-introducing a concrete target for reducing the pay gap in the Employment guidelines; adding access to vocational training and recognition of women's qualifications and skills;

**c.** improving statistics, and add comparable data on the part time gender pay gap, and the gender pension gap;

**d.** supporting collective bargaining as an important instrument for reducing inequalities including the gender pay gap;

**e.** promoting equality clauses in public contracts, and considering making them compulsory.

8. In addition, and recognising the key role trade unions can play in reducing the gender pay gap, ETUC and affiliates will:

**a.** develop guidelines on collective bargaining and equal pay, including how to promote gender neutral job evaluation schemes;

**b.** develop a train¬the¬trainers approach, with the support of the European Trade Union Institute ETUI, to raise awareness and support collective bargaining negotiators and committees in addressing the gender pay gap;

**c.** ensure that equal pay is high on the priority list of collective bargaining actors at all levels;

**d.** consider the advantages of differentiated wage demands that take into account persistent wage differences related to gender patterns in sectors and professions, allowing for specific wage increases in female dominated sectors with often predominant low wages;

**e.** demand at least equal access to vocational training and career development for women as an important instrument to reduce the pay gap;

**f.** put the part time pay gap on the agenda of collective bargaining negotiators, as well as of the EU social partners, with a view to a possible strengthening of the Part time Directive;

**g.** demand a stronger role in the monitoring and enforcement at national and EU level of the Employment guidelines with regard to equal pay

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# TIME TO ACT TOGETHER!

Executive Committee, 24-25/06/2008

## I. ACTION TO STABILISE THE ECONOMY AND SUPPORT GROWTH HAS BECOME NECESSARY

1. **A series of shocks is squeezing European growth.** Since mid 2007, the European economy has been hit by a number of negative shocks. Major losses on sub¬prime and related collateralised debt obligations have weakened bank's balance sheets while increasing their aversion to risk. As a result, credit conditions have been tightened and credit has become more expensive. The euro exchange rate has appreciated substantially, thereby eroding past efforts to moderate wages. Inflation, driven by oil, commodities and food prices, is transferring income to the rest of the world and erasing the purchasing power of modest nominal wage increases. World economic growth, which until now has been offering dynamic export markets for Europe, is set to slow down with the US economy no longer able to play the demander of last resort for the world economy.

Meanwhile, monetary policy decisions inside Europe are adding to these negative shocks. Over the past two years, the European Central Bank (ECB) and other central banks in Europe have been engaging in a series of interest rate hikes. The effects are starting to show now, severely hitting those euro area countries where past growth performance had been based on a housing boom and mortgage lending on the basis of variable interest rates.

As a result, growth in Europe is expected to decelerate sharply from over 3% in 2006 to 1.8% in 2009. The euro area in particular would see growth in 2009 slow down to 1.5% (Commission forecast) or even only 1.2% (IMF forecast).

2. **.... and their full impact is yet to come**. Despite this accumulation of negative shocks, there is a certain perception amongst policy

makers that the effects on growth and jobs would be manageable since, thanks to past structural reforms, the euro area has now become more 'resilient'. This, however, fails to take into account that many of these shocks take some time to work their way through the economy. Interest rate hikes, currency appreciation and tightening credit conditions are all characterised by time lags running up to 4 or 6 quarters. Moreover, some of the structural reforms implemented (cuts in unemployment benefits, cuts in job protection, higher incidence of low¬paid, precarious jobs) would deepen the impact of an initial shock and would therefore actually work to

destabilise the economy. Hence, basing policy action , or rather the lack of it, on most recent growth performance is deceptive[1].

3. **The danger of the 2008 slowdown turning itself into a prolonged slump.** If left unchecked, negative shocks tend to amplify themselves[2] , ultimately triggering a vicious circle of low growth, loss of confidence, depressed spending and, hence, low growth. This was the case for example for the euro area between 2001 and 2005. During this period, the economy underperformed substantially because confidence was destroyed. Both households and investors, thinking that the European economy was 'doomed', restrained from spending, thereby effectively producing depressed growth outcomes. To prevent negative growth expectations from becoming entrenched in households' and investors' psychology and to avoid that another slump in growth would take over the next years, timely and convincing demand side action to stabilise the economy is necessary.

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[1] Recent and much better than expected growth performance is the issue at stake here. The euro area registered a 0,5% q-on-q growth in the first quarter of 2008, growth in Germany even going as high as 1,5% growth. However, the following should be taken into account: Mild winter conditions, additional working days from the leap-year as well as a major build up of stocks, worth 1% of German GDP, are inflating first quarter growth figures in an artificial way. Moreover, the fact that inventory build up has contributed 1% to GDP growth is actually quite disturbing. A build up in stocks implies that demand does not meet production and that production will be adjusted downwards in coming quarters in order to return to a more normal level of stocks.

[2] This works through different channels such as demand multipliers, investment accelerators and financial accelerator

## II. ECONOMIC POLICY IS NOT PROVIDING AN ADEQUATE ANSWER

4. **Monetary policy concerns over stagflation.** Monetary policy is considered to be the first line of defence. However, the European Central Bank in particular is now turning a blind eye to the need to stabilise the economy. Worried over 'stagflation', interest rates are kept at high levels while workers get lectured to continue to deliver wage moderation.

This policy response is inadequate. It fails to see that higher inflation is not in any way related to an overheating of the domestic economy but is coming entirely from the external side. External price developments are driving a wedge between price stability on the one hand and the need to stabilise economic activity on the other hand. These developments are beyond the control of a central bank. If a central bank does try to offset the impact of more expensive oil on average inflation by generating deflation on the domestic price front, monetary policy itself risks becoming a major source of economic volatility and instability[3].

Moreover, nor the monetary overkill, nor the excessive wage moderation that will result from it, are a structural solution. In fact, simply pressing workers to 'accommodate' the oil price shock and to accept a transfer of purchasing power to oil producing countries may well work as an open invitation for oil markets to push up prices even further. An adequate policy response is to correct for the overdependence on oil of European economies instead (see further below).

5. **'Capital chasing assets': The new alibi to forget about 'stabilisation'?** In circles of central bankers, the idea is being put forward that monetary policy should not only aim for (consumer) price

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[3] This is particularly the case for the euro area. In the euro area, collectively bargained wage growth has stayed very close to a rate of 2% over the past fifteen years. This 2% growth rate may well constitute a floor below which workers and trade unions do not want to accept pay deals (because, for example, inflationary expectations are well anchored around this 2% figure and workers are highly reluctant to accept a cut in real wages). If this is the case, then depressing domestic price inflation requires to create a substantial amount of slack in the economy so as to convince workers to accept real wage cuts anyway .

stability but should also prevent asset price bubbles from developing. According to this view, the provision of cheap and abundant liquidity has been at the basis of both the housing price boom as well as the sub prime mortgage bust. By using the argument that loosening monetary policy would only result in new asset price speculation elsewhere in the economy followed by another bust further down the line, have created the problems in the first place', monetary policy gets completely paralysed.

This is a dangerous approach. By focussing monetary policy on price stability as well as asset price stability, it risks sweeping the objective of stabilising economic activity completely under the rug. It will tie the hands of central bankers when it comes to bringing economic activity back in line with potential output. Instability on the 'real' side of the economy will increase and the economy will remain below its potential level of activity over prolonged periods of time[4].

Meanwhile, avoiding financial market speculation and 'booms and busts' driven by asset price speculation remain a valid concern. However, instead of giving up on the real economy by abstaining from expansionary monetary policy, a more intelligent approach is instead to cut interest rates and inject liquidity while at the same time ensuring that there's an adequate regulatory framework in place to prevent liquidity from spilling over into speculation and 'piramid' games.

The US sub prime crisis provides a good illustration. The wave of sub prime mortgages in the US did not emerge when interest rates were at a historically low. Sub prime only started to take off when the activity of semi-public institutions[5] issuing mortgage collateralised debt was put to a stand still while regulation on sub prime private lenders was loosened at the same time. As a result, and despite rising interest rates and **rising** defaults (!), light or unregulated sub prime mortgage finance only started to boom in the US from 2005 on.

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[4] For example, to address a real property bubble of 15%, central banks would need to raise interest rates to such an extent that economic activity would be depressed by 5%. This represents a massive loss in output. Gerlach S and Assenmacher-Wesche,K Can monetary policy really be used to stabilise asset prices? March 2008 at www.voxeu.org

[5] FreddieMae and FreddieMac

6. **Fiscal policy: European demand side coordination is missing.** The European economy is highly integrated and this has certainly boosted productivity. However, the bias against expansionary fiscal policy is the Achilles heel of the European internal market: Since expansionary fiscal policy tends to disappear partly through import leakages to other European members, the responsibility of reviving the economy is left to all others and becomes the concern of no one. Even worse, in the absence of a European framework to correct for this bias against demand side policy, individual member states will be tempted to put their own economy in order by resorting to 'beggar¬thy¬neighbour' policies such as competitive wage moderation or downwards tax competition on mobile income sources. However, weakened demand and weakened public budgets for Europe as a whole will be the outcome of such 'free rider behaviour'.

7. Governments are already responding to the 2008 growth crisis on their own and without much attention for spill over effects on other member states. Some try to improve an already favourable competitive position by cutting employer social security contributions. Others waste existing leeway for demand side policies by promoting longer working hours and/or reducing taxes for the rich. Some think of engaging in implicit devaluations by raising indirect taxes. In this way, it will not take long before several member states hit the 3% excessive deficit again and will feel constrained to backtrack and start fiscal consolidation in the midst of the downturn.

## III. MAKING THE MANAGEMENT OF DEMAND A MATTER OF COMMON CONCERN

8. Balancing price stability with stabilisation of economic activity. In the face of the slowdown that is unfolding, economic policy needs to balance the objective of price stability with the need to stabilise economic activity. Demand side management must be made a 'matter of common concern'. The ETUC calls for:

- **A forward looking monetary policy regime.** The focus of monetary policy makers needs to shift from headline inflation to underlying inflationary pressures and from a backward looking to a forward looking approach focussing on where the economy is heading over the coming year(s). The ECB in particular is now significantly running behind the economic cycle and should embark on a path of interest rate cuts without any further delay.

- **A temporary moratorium on contractionary fiscal consolidation.** This is not the time to engage in pro¬cyclical fiscal policy tightening. Instead, the automatic stabilizers should be allowed to operate to the fullest extent. In countries where deficits are now below 3% of GDP, deficits should be allowed to increase in line with the economic slowdown. Other countries, if trying to keep the deficit close to 3%, should combine tax and expenditures measures in such a way that net impact on aggregate demand is neutral. This implies reviewing tax cuts for the rich while improving the purchasing power of those who are economically weak.

- **A European Smart Growth initiative.** Letting automatic fiscal stabilisers work is necessary to absorb negative demand shocks and prevent a worst case outcome. However, this may not be sufficient and discretionary action may be needed to turn the economy back around. To be prepared for such a situation, the ETUC suggests to discus the launch of a new European wide growth initiative, based on the principles that governments act together at the same time and in the same direction.

  If all member states do so, the weakness of the internal market becomes its strongest point since a joint fiscal expansion will have an effect on internal European demand that is twice as large[6].

  Moreover, this should not be about any form of fiscal expansion. The focus should be the need to reduce the overdependence of our economies on oil. In this way, demand side policy becomes structural policy.

  This European wide smart growth initiative should be coordinated and facilitated from the European level. This can be done by:
  - Putting the reformed Stability and Growth Pact to good use. The

[6] Compared to a situation where member states engage in fiscal expansion on their own

Commission and the Council should define those types of investment promoting 'smart' growth in order to take them (temporarily) out of the excessive deficit procedure.

• Issuing an international bond of the European Investment Bank to finance the European Smart Growth Initiative. By balancing the high demand for euro denominated assets coming from the rest of the world with corresponding investment opportunities inside the euro area, such international bonds issuance would provide a response to the structural trend for euro appreciation[7].

• Establishing national and pan¬European will to crackdown on tax avoidance and evasion by the very wealthy and by corporations, thereby generating significant revenue to be used to invest in smart growth benefiting all members of society..

• Organising European economic solidarity so that those member states having low deficits and high current account surpluses are turned into an engine for growth for the rest of the European economy.

■ **A stop to thinking of wages as the adaptor of first and only resort.** Wages tend to be seen by policy makers in Europe as the single buffer against all sorts of shocks. Regardless whether the issue is globalisation, demand shocks, price stability shocks or boosting profits, the policy answer always tends to be more wage moderation, more wage flexibility. As a result, the share of wages in GDP has been falling almost continuously, while employment results have been mixed.

This can not continue any longer. For Europe to become its own engine of growth, real wages need to catch up and evolve back in line with overall productivity growth. This implies stronger collective bargaining. It also implies stronger coordination to prevent workers from different member

■ **Put financial markets at the service of productive investment.** At present, the efficiency of financial markets to channel savings into productive investment can be seriously questioned. Financial markets have become instead a major source of instability, speculation and inequality. To reassert the role of financial markets in

[7] See background note attached

transforming savings into investments, financial market regulation needs to be improved substantially. Issues such as the lack of transparency, failing ratings agencies, excessive leverage, herd behaviour and speculative bubbles need to be addressed. This will involve a 'hands on' policy to ensure that necessary regulation keeps pace with financial market innovation.

9. Finally, the ETUC calls upon the incoming French government to put the twin concerns of preventing the economy from getting trapped in another long slump and of having financial markets function at the service of the real economy high on the agenda of the French presidency. Amongst other things, the existing Macro Economic Dialogue (Cologne process) should be strengthened and used as a way to discuss these policy challenges in close cooperation with European social partners.

**ANNEX 1**

# Global finance capital on the move: turning a threat to jobs into an opportunity for sustainable growth

## I. THE EURO'S RISE WILL TAKE ITS TOLL ON WAGES AND EURO AREA GROWTH...

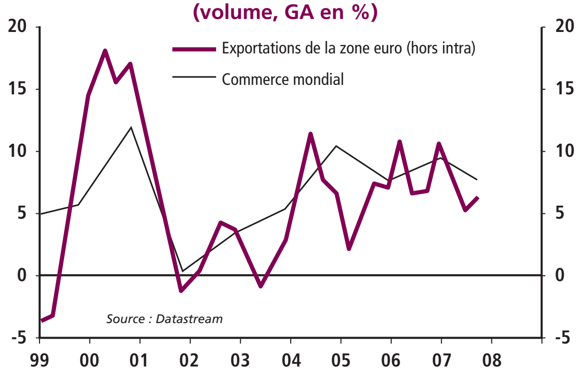
Over 2007, the euro exchange rate has appreciated steadily. Mainly driven by appreciation against major currencies such as the US dollar and the yen, the effective nominal exchange rate of the euro had risen by 6.2% in November 2007 compared to the same month one year ago. More recently, the British pound has also joined the basket of currencies losing value against the euro.

This trend of an appreciating euro comes on top of a list of other developments threatening demand and growth dynamics. The sub prime induced credit squeeze, the tightened monetary policy stance of the ECB triggering a turnaround in those European economies which until now had been acting as a locomotive for average European growth (Spain in particular), the fall¬out from a possible recession in the US, the rise in oil and commodity prices transferring purchasing power outside of Europe all work in the same direction and the total result may very well be to push growth and job creation substantially back down.

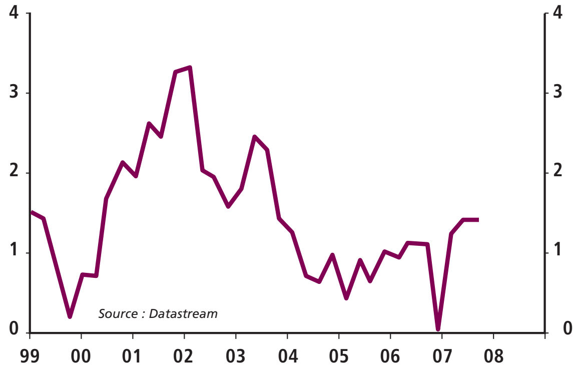
Indeed, it can be seen from historical experience that euro area export performance is negatively correlated with the exchange rate. When the euro exchange rate goes up, euro area exporters lose market shares and export growth remains behind world trade growth and vice versa. On top of this 'mechanical' effect comes the fact that European exporters try to maintain their competitive position by lowering their product prices. To maintain profit margins at the same time, European producers exert massive pressure on workers and trade unions to cut wages and displace investments and outsource jobs outside the euro area. This does prevent some jobs in the export sector from disappearing but it also depresses wages and jobs in the non-export sector with overall lower growth as a result.

One illustration is the 2002-2003 period. Over this period, the appreciation of the effective exchange rate of the euro by some 20% coincided with export growth lagging behind world trade growth and with wage growth lagging behind productivity growth. A new wave of 'concession bargaining' was set in motion, with longer working hours without corresponding pay and cutbacks in holiday and bonus pay (see two graphs below).

**Graphique 4a**
**Exportations et commerce mondial**
**(volume, GA en %)**




**Graphique 7**
**Zone euro : coût salarial unitaire (GA en %)**



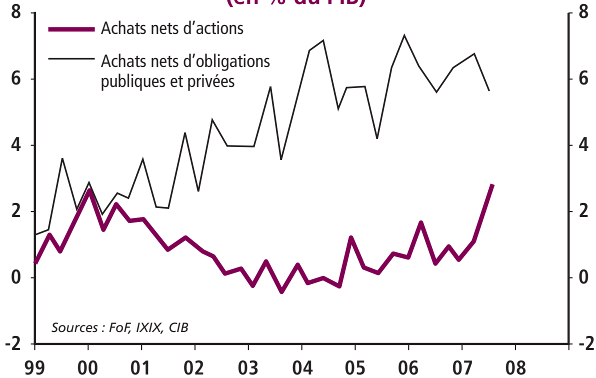
## II. WHAT IS BEHIND THE STEADY RISE OF THE EURO

The reasons for the trend appreciation of the euro are to be found in the financial and not in the 'real world' sphere of the economy. They have to do with a structural mismatch between demand and supply for euro denominated assets.

### A. Rising demand for euros ...

Analysis of the euro area's capital account shows that a sizeable demand for euro denominated assets from the rest of the world has been developing itself from 2002 on. In particular, foreign demand for euro denominated bonds is very high, running up to 6 or even 8% of euro area GDP and resulting in a net total capital inflow.

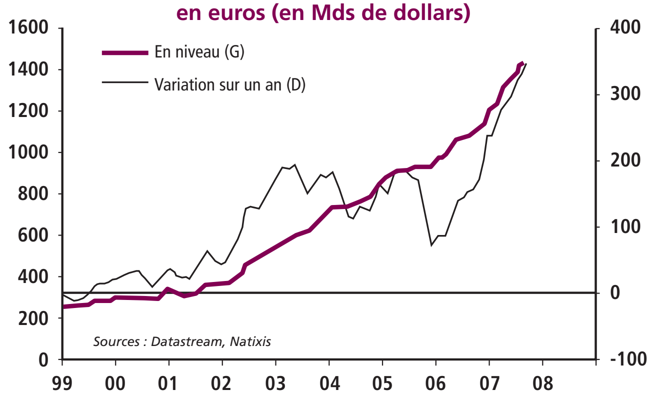
**Graphique 9**
**Zone euro : achats nets par les non-résidents (en % du PIB)**




This appetite for euro labelled securities from the rest of the world is driven by several factors:

- The euro is gradually becoming an international reserve currency, as can be seen from the fact that central banks all over the world are shifting their currency reserves from dollars to euros. Whereas central banks had 20% of total foreign currency reserves in euros in 2002, this share has now gone up to 25,6%.In absolute terms, global currency reserves in euros have more than tripled from 400 billion in 2002 to 1.400 billion in 2007.

**Graphique 10**
**Réserves de change mondiales investies en euros (en Mds de dollars)**




■ Until the end of 2005, Asian countries like China acted as an 'absorber of last resort' by mopping up all dollars coming from their huge trade surplus with the US, thereby keeping their currency pegged to the US dollar. However, since end 2005, China has let go of its 'fixed¬peg' currency regime, thus providing less support for the dollar. The excess of dollars in the world financial market being no longer absorbed by the Chinese central bank is now contributing to the collapse of the dollar in relation to other currencies, including the dollar–euro exchange rate.

■ The huge US external current account deficit (about 6% of GDP) has until recently also been financed by the rest of the world by investing in US enterprise bonds. However, with two thirds of US company bonds in the form of 'asset backed securities' (ABS) and with the collapse of the ABS¬market after the subprime turmoil, the dollar has lost this factor of support as well.

■ Finally, there's the cyclical factor. With the Federal Reserve reacting to the unfolding slowdown in a clear pre¬emptive way while the ECB stubbornly is refusing to take action, financial markets' perceptions of interest rate differentials change and capital flows get redirected towards the euro.

### B...IS NOT MATCHED BY SUPPLY OF EUROS.

There is, however, no corresponding supply of euros to match the appetite of the rest of the world. Indeed, with a current account close or even slightly above equilibrium, the euro area does not need additional import of capital and savings from the rest of the world. Euro area macro–economic savings are already sufficient to cover the present level of euro area investments.

This mismatch between high demand for euros (coming from capital flowing into the euro area) and lack of corresponding supply of euros (coming from the slight surplus on the euro area's current account, reflected in the lack of sufficient new debt emissions) is at the heart of the trend for the euro to appreciate. It implies that, if this mismatch is not addressed, the appreciation of the euro will continue.

Even worse, there is the possible danger that the euro appreciation trend may even intensify in coming months. It appears that the central bank of China seems to have recently signalled another shift in exchange rate policy, allowing the yuan to appreciate faster so as to contain inflationary risks in China[8]. However, if the appreciation of the 'yuan' is limited to the bilateral exchange rate with the dollar, then this would imply less dollars being bought up by the Chinese central bank and more dollar flows directed into other currencies, pushing up the bilateral exchange rate of the euro vis¬à¬vis the dollar.

## III. SPECULATION DRIVING OIL, COMMODITY AND FOOD INFLATION

Global capital is not only moving more into euro denominated assets. More recently, since mid 2007, financial investors are also

[8] The Star « China signals policy shift, yuan to appreciate faster », December 28, 2007 at www.thestar.com

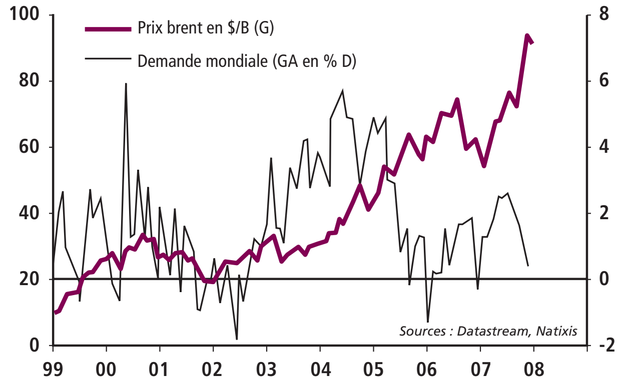
looking to invest in oil, commodities and basic food stuff. With the collapse of investor confidence in subprime, mortgages and asset, attention of financial markets has shifted to the structural boom in oil and commodities which is driven by rising demand from emerging economies in a globalising world. Using 'futures' instrument, financial markets are now buying oil and commodities, hoping to cash in on higher prices in future. So, for example, the City of London has seen in the first half of 2007 the set¬up of a whole branch of hedge funds specifically targeting commodity markets. Banks are openly advising their clients to invest in commodities' related funds because high returns seem to be guaranteed in this 'world of scarcity'. And the price increase of oil at the beginning of 2008 is conspicuously coinciding with the fact that investment flows are once again released after the closure of end of the year financial accounts.

However, in doing so, financial markets are once again in the business of conducting a self¬fulfilling prophecy. It is basically the same 'Ponzi¬type' of mechanism that has been observed in the past when financial markets were pouring in liquidity in ICT¬related equity and housing markets, thereby effectively realising the asset price gains they were speculating upon without this asset price increase having much to do with a corresponding rise in the intrinsic value of the underlying asset. In the present case of commodities, this implies that financial markets are 'overshooting' and are pushing up the price of oil and commodities faster and higher than warranted by the mere 'physical' situation of the market in question.

This new type of 'overshooting' by financial markets can be illustrated, both in the case of oil market as in the case of corn markets. How to explain for example oil prices shooting up from 57 dollar a barrel beginning 2007 to almost 100 dollar a barrel end 2007 **when the rate of growth of world demand for oil has been limited to 2% in this same year and when the margin of oil capacity production over world demand has actually increased ? (see two graphs).**

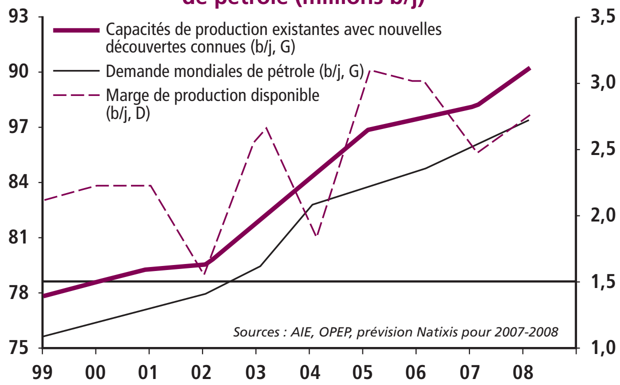
Similarly, the rapid increase of corn prices from mid 2007 on is also difficult to explain, given the fact that world demand has been rather stable since 2004 (and even falling slightly in 2006), and given a world stock worth about 20% of annual consumption.

**Graphique 10a**
**Demande mondiale et prix du pétrole**




*Sources : Datastream, Natixis*

**Graphique 10b**
**Consommation et production mondiale de pétrole (millions b/j)**




*Sources : AIE, OPEP, prévision Natixis pour 2007-2008*

What does this mean for euro area growth? Higher oil and commodity prices invoke the spectre of ‘stagflation’. Higher oil prices erode the purchasing power of the euro area, transferring it to oil producing countries and hedge fund owners, while at the same time pushing inflation higher. All the ingredients are there to produce a cocktail dangerous to jobs and growth: The transfer of purchasing power already depresses domestic demand and overall growth. And if the ECB were to react to the (temporary) rise in inflation by raising interest rates or failing to produce a warranted cut in interest rates, then the initial slowdown in growth is amplified further.

The previous also illustrates that demands for wages to simply 'absorb' the rise in oil process and absorb the loss in purchasing power are not very convincing. It partly boils down to saying that wage earners should indeed reward the excesses of financial markets speculating on commodities and oil. Another policy response is necessary.

## IV. FROM THREAT TO OPPORTUNITY: COMBINING A EUROPEAN GROWTH INITIATIVE WITH THE CHALLENGE OF SUSTAINABLE DEVELOPMENT.

Global finance capital on the move endangers jobs and growth in the euro area by triggering a too expensive euro as well as by pushing oil and commodity prices up What can policy makers do to manage these capital flows in a better way?

### A. Cutting interest rates and/or exchange rate management: Possible but unlikely

To address the mismatch on the euro exchange market, one possibility is to reduce the demand for euro denominated assets from the rest of the world by cutting euro interest rates and/or by having the ECB stabilise the dollar by accumulating dollar currency reserves.

However, whereas cuts in interest rates are possible and necessary (given the downward direction into which the economy is moving), the ECB is not likely to move on this and when it does move it will be too late to avoid negative growth expectations from getting entrenched.

It is also unlikely that the ECB would start up exchange rate interventions (although it did successfully do so when there was the opposite problem of the collapse of the euro exchange rate). However, in contrast to monetary policy, exchange rate management is a shared responsibility of the ECB and the Council. Provided the Commission puts forward a proposal, the Council can indeed provide the ECB with guidelines and orientations concerning (bilateral) exchange rates which the ECB is forced to implement provided the objective of price stability is respected. Also note that the ECB can intervene on its own since the problem is to stabilise the dollar and since this can be done by simply buying up dollars and accumulate dollar reserves in return for emitting euros (for which it has the right and possibility to do so). However, the initiative for exchange rate management lies wit the Commission which is not keen either to act in this matter. Besides this a qualified majority would be necessary in the Ecfin council which is not easily assured either.

### B. An alternative proposal: Absorb capital flows in an intelligent way

An alternative way is to absorb the capital flowing into the euro area by increasing the supply of euros in an intelligent way. If the rest of the world is willing to invest in the euro currency, then this is an opportunity that euro area policy makers should grasp. Instead of leaving global capital flows to their own devices and letting them push up the value of the euro and destroy competitiveness and jobs, the euro area should move to a higher level of domestic demand and in that way meet (partially) the demand for euros and stabilise the exchange rate and/or offset the negative impact of the stronger euro on jobs and competitiveness. However, the strict condition is that this additional demand and the debt that corresponds with it needs to be an 'intelligent' demand, generating adequate benefits.

A practical proposal is to organise European finance for a sustainable growth initiative. The European Investment Bank (EIB) should mobilise capital from the rest of the world by writing out euro denominated loans amounting to 1% of European GDP. The EIB should then re-lend this capital to those governments investing in **additional** sustainable development priorities, with possible areas of investment and criteria defined by the Council upon a proposal from the Commission. Sustainable development priorities can cover renewable energy, energy savings programs, a switch to clean technologies. And support could be provided in the form of subsidies or, additionally, in the form of tax incentives for sustainable investments. The latter will certainly be welcomed by European business, given the new generation of European environmental directives in the pipeline.

Obviously, this initiative would require temporarily higher public deficits. However, given the fact that the euro area deficit has almost disappeared, there is room to do so, at least in those countries where the deficit is close to zero and where there is a danger that economic activity would fall below potential activity. The choice is between two scenario's. Either Europe does not act and watches how the collapse in economic confidence and growth will push up deficits anyway.

Or Europe pro-actively increases public deficits (in a temporary way), thereby allowing to stabilise economic confidence and preventing a long economic slump while at the same time adressing the challenge of sustainable development and defending European's purchasing power and standard of living by allowing savings on energy and commodities. The choice is ours.

# 8 ETUC RESOLUTION ON NANOTECHNOLOGIES AND NANOMATERIALS

Executive Committee, 24-25/06/2008

## INTRODUCTION

Nanotechnologies are emerging, trans¬disciplinary technologies that enable structures or objects to be designed, manipulated and manufactured on a nanometer scale1, i.e., the size of a handful of atoms or molecules. At this scale[1], the physicochemical properties of matter can differ significantly from those obtained at larger scales. What all these technologies have in common, therefore, is to produce objects, called nanomaterials, that have new properties and behaviours that cannot be obtained easily or at all with conventional technologies.

Described as the "engine of the next industrial revolution", nanotechnologies have a far¬reaching development and application potential, especially in the fields of biotechnologies and medicine (diagnostic, treatment and prevention tools), information and communication technologies (miniaturization and increased storage capacities); energy (more efficient energy storage, conversion and production), agriculture and the environment (soil, water and air clean¬up), etc.

Industry and Governments have taken this firmly on board. Public funding for nanotechnologies in the United States and Europe alike has risen steadily year on year. The European Union, for example, has

[1] Usually somewhere between 1 nm and 100 nm. A nanometer (nm) is equal to one billionth of a metre.

decided to put 3.5 billion euros into nanotechnology research between 2007 and 2013 on top of private sector investment and national research budgets. The most frequently cited estimate is that the world market in nanotechnologies will amount to 1 000 billion dollars by 2015[2].

In terms of employment, it is claimed that nanotechnology development is likely to require an additional two to ten million workers across the world by 2014. Many of these jobs are likely to be created in Europe, mainly in start-up companies and in SMEs[3].

Hundreds of consumer and manufactured products containing engineered nanomaterials or made with the use of nanomaterials are already on the market[4], for example in the areas of cosmetics, sporting goods, textiles, food, paints, constructions and electronic equipment.

Products are been made today and placed on the market without knowing whether nanomaterials are released from them and what their potential impacts on human health and the environment may be. Workers all along the production chain from laboratories through to manufacturing, transport, shop shelves, cleaning, maintenance and waste management are exposed to these new materials. Nevertheless it is unknown whether the safety procedures implemented are adequate or the protection measures applied are sufficient. Workers and consumers are being exposed to products[5] that contain nanomaterials unbeknown and uninformed about the potential risks. Nanomaterials are discharged and disseminated out into the open without knowing what the consequences may be and without effective ways of detecting and measuring them.

There is a growing body of scientific evidence to suggest that some manufactured nanomaterials harbour new and unusual

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[2] The economic development of nanotechnology, European Commission, 2006 http://cordis.europa.eu/nanotechnology .

[3] Ibid.

[4] www.nanotechproject.org/consumerproducts

[5] In our understanding “product” encompasses a substance, a preparation or an article

dangers[6,7]. Because smaller particles have a greater (re)active surface area per unit mass than larger particles, their toxicity may also increase.

While nanotechnologies may bring major benefits to our society, they also raise many concerns about their potential risks to our health and the environment.

In 2005, the European Commission adopted an action plan on nanotechnologies and nanosciences for 2005¬2009, which called for an assessment of risk to human health, the environment, consumers and workers at all stages of the life cycle of the technology (conception, manufacture, distribution, use, and recycling).

Most research programmes, however, are still in the very early stages and it will be a long way down the road before comprehensive information is available to give a clear picture of what risks the different manufactured nanoparticles may pose.

The European Trade Union Confederation (ETUC), its member federations and confederations, wish to do a first contribution to this important societal debate by pointing out those elements of the European policy that they see as essential to the responsible development of these emerging technologies.

## THE ETUC POSITION

Nanosciences and nanotechnologies are new approaches to research and development (R&D) that aim to control the fundamental structure and behaviour of matter at the level of atoms and molecules. These fields open up the possibility of understanding new phenomena and producing new properties of matter that can be utilised in virtually all technological sectors.

The ETUC is convinced that nanotechnologies and manufactured nanomaterials might have considerable development and application potential. These technological advances and the new jobs they might bring may address peoples' needs, help make European industry more competitive and contribute to the achievement of the sustainable development goals set out in the Lisbon Strategy.

However, the ETUC notes that significant uncertainties revolve around both the benefits of nanotechnologies to our society and the harmful effects of manufactured nanomaterials on human health and the environment. The development of these emerging technologies and the products from them also poses huge challenges to our society in terms of regulatory and ethical frameworks.

The ETUC considers that if the past mistakes with putatively “miracle” technologies and materials are not to be repeated, preventive action must be taken where uncertainty prevails. This means the precautionary principle must be applied. This is the essential prerequisite for the responsible development of nanotechnologies and for helping ensure society’s acceptance of nanomaterials.

The ETUC welcomes the European Commission’s action plan 2005¬2009 on nanosciences and nanotechnologies which is based on the safe, integrated and responsible strategy put forward in its 2004 Communication. Nevertheless, our analysis of the first Commission Report on its implementation over the period 2005¬2007 reveals large gaps and deficiencies which ought to be eliminated without delay.

Where investment in R&D is concerned, we see and note a gross imbalance between budgets for the development of commercial applications of nanotechnology and those for research into their potential impacts on human health and the environment. The ETUC calls for at least 15% of national and European public research budgets for nanotechnology and the nanosciences to be earmarked for health and environmental aspects and to require all research projects to include health and safety aspects as a compulsary part of their reporting.

The ETUC considers that a standardised terminology for nanomaterials is urgently needed to prepare meaningful regulatory programmes. In particular, ETUC calls on the Commission to adopt a definition of nanomaterials which is not restricted to objects below 100 nanometers in one or more dimensions. This is important to avoid many nanomaterials already on the market to be left out of the scope of future legislations.

The ETUC is concerned at the holdup in the Commission departments’ examination of the current legislative framework and its identification of the regulatory changes needed to address workers' and consumers' concerns about the health and environmental implications of nanomaterials.

After the asbestos scandal which cost the lives of hundreds of thousands of workers, and when the EU has recently introduced new legislation on chemicals that puts the onus of proof onto manufacturers, the ETUC finds it unacceptable that products should now be manufactured without their potential effects on human health and the environment being known unless a precautionary approach has been applied and made transparent to the workers.

In particular, ETUC considers that manufacturers of nano¬based products should be obliged to determine whether insoluble or biopersistent nanomaterials can be released from them at all stages of their life cycle. In the absence of sufficient data to prove that those released nanomaterials are harmless to human health and the environment, marketing should not be permitted.

The ETUC therefore demands full compliance with REACH's "no data, no market" principle. It calls on the European Chemicals Agency (ECHA) to refuse to register chemicals for which manufacturers fail to supply the data required to ensure the manufacture, marketing and use of their nanometer forms that has no harmful effects for human health and the environment at all stages of their life cycle.

Strict application of this principle must be used to encourage industry to fill the gaps in the scientific knowledge about the safety of engineered nanomaterials, especially the fate and persistence of nanoparticles in human beings and the environment.

The ETUC calls on the Commission to amend the REACH regulation so as to give better and wider coverage to all potentially manufacturable nanomaterials. Nanomaterials may indeed evade the REACH registration requirements because they are manufactured or imported below the threshold of 1 tonne per year. The ETUC demands that different thresholds and/or units (*e.g.* surface area per volume) are used for registration of nanomaterials under REACH. The ETUC considers that the obligation to produce a chemical safety report for production volumes only above 10 tpa is another loophole that will allow many manufacturers or importers to avoid doing a risk assessment before putting nanomaterials on the market. The ETUC wants a chemical safety report to be required for all substances registered under the REACH regulation for which a nanometer scale use has been identified. The ETUC also demands Annexes IV and V of REACH (exemptions from registration) currently under revision not to permit manufactured nanomaterials to evade the REACH requirements.

Workers engaged in research, development, manufacture, packaging, handling, transport, use and elimination of nanomaterials and nanotechnology products will be most exposed, and therefore most at risk of any harmful effects. The ETUC therefore demands that health and safety at work must have priority in any nanomaterials surveillance system. There is a great need for training, education and research in order to allow health and safety specialists (e.g. labour inspectors, preventive services, occupational hygienists, company physicians) preventing known and potential exposures to nanomaterials.

The ETUC calls on the Commission to amend Chemical Agents Directive 98/24/EC which it believes does not afford adequate protection to workers exposed to substances for which there are gaps in our knowledge about their toxicological properties. Employers must be required to implement appropriate risk reduction measures, not only when known dangerous substances are present in the workplace, but also when the dangers of substances used are still unknown. This would enable all manufactured nanomaterials to be covered, along with many other substances that carry unknown health risks to which workers are exposed.

Workers and their representatives (e.g. safety reps) must be fully involved in risk assessment and the selection of risk management measures without fear of retaliation or discrimination. Moreover, they must be informed of the nature of the products present on their work places. The ETUC therefore considers that safety data sheets must clearly state whether nanomaterials are present. If toxicological or ecotoxicological data are missing, that must also be indicated in safety data sheets. The ETUC considers that significant efforts must be made without delay to prevent occupational exposures to already known manufactured nanomaterials. That will involve, in particular, exposure monitoring, health surveillance for workers and appropriate training.

The ETUC believes that consumers also have the right to know what is in a product. In many cases, manufacturers have published no information on tests done on nanotechnology products and their health hazards, or have not labelled consumer products as containing nanomaterials. Not being fully informed prevents the public from making informed decisions about the purchase and use of such products.

The ETUC wants all consumer products containing manufactured nanoparticles which could be released under reasonable and foreseeable conditions of use or disposal to be labelled. In addition, as part of the precautionary approach, ETUC calls on Member state authorities to set up a national register on the production, import and use of nanomaterials and nano¬based products. Those measures would make it easier to monitor any human or environmental contamination and to identify where responsibility lay for any harmful effects.

The ETUC believes that Industry Voluntary Initiatives and Responsible Codes of Practices may serve a useful purpose pending implementation of the necessary changes to the current legislative framework and/or the introduction if need be of specific new European legislation to support responsible nanotechnology development.

However, the ETUC is prepared to endorse such initiatives only if the signatories undertake to involve workers' representatives in their design and monitoring, if there is an independent and transparent system for assessing compliance (e.g. by involving labour inspectorates) and if sanctions are foreseen in case of non¬compliance. In addition, the ETUC demands that companies which adopt such systems disclose information on the hazards and risks associated with their products and commit themselves to be fully accountable for liabilities incurred from their products.

Finally, since nanotechnologies have the ability to profoundly alter the social, economic and political landscape of our societies, it is essential that all interested parties have a full say in the discussions and decisions that affect them. The ETUC therefore calls on the European Commission and Member State governments to commit sufficient funds to ensure real civic participation in the current debate on these new technologies.

# Executive Committee - October 2008

# 9 EUROPEAN PRIVATE COMPANY STATUTE MUST RESPECT WORKERS' PARTICIPATION RIGHTS

Executive Committee, 15-16/10/2008

## INTRODUCTION

The European Commission published a proposal for a Council Regulation (COM (2008) 396 final) on the Statute for a European Private Company (Societas Privata Europaea, SPE) (200Kb MS Word) on 25 June 2008.

This initiative forms part of a package of measures designed to make it easier for SMEs to do business in the Single market and consequently to improve their market performance. The idea behind the SPE is to create a company with limited liability at European level that is designed to enhance SMEs' competitiveness by facilitating their establishment and operation on the Single Market. The SPE is one of the priority initiatives of the Commission's 2008 Work Programme.

**ETUC welcomes initiatives designed to improve market conditions for SMEs**. According to the Commission, SMEs account for more than 99% of companies in the EU. The SPE may therefore become a reality for a large number of employees. **At the same time, ETUC stresses that enhancing flexibility for SMEs must not be done at the detriment of employees' rights to participation in the board of the company.** The right to information and consultation is a fundamental right protected by EU law.

The ETUC is concerned that the proposed Statute for SPEs comes across as an encouragement for businesses, including larger companies, to set up ‘letter box’ companies with a view to evading the post protective national legislations on workers’ rights. For the ETUC, it is vital that a a number of improvements are brought to the Commission’s proposal, if the objectives of the Lisbon Agenda of more and better jobs are to be respected. (See ETUC position adopted at the Executive Committee of 18-19 October 2006).

## SUMMARY OF THE PROPOSAL

The objective of the SPE is to facilitate cross border business for SMEs by providing them with a European legal form, uniform in each Member State. According to the Commission, the possibility to operate in various Member States according to the same corporate rules should reduce compliance costs on the creation and operation of businesses arising from the disparities between national rules. Therefore the SPE would enhance mobility and competitiveness of European SMEs. It is very unclear to which extent the proposed SPE Statute will replace the much discussed 14th Directive on transfer of registered seats for private companies.

The Commission argues that the existing Statute on a European Company (‘the SE statute’) does not constitute a viable option for SMEs because of its minimum capital requirement of 120,000 Euros.

The Commission’s proposal lays down uniform rules relating to the procedure for the formation of an SPE, its shares, the capital stock, organisation, the law applicable to employees’ participation and conditions for transfer of the registered office to another Member State. National law would govern those matters which are not covered by the Regulation or by the articles of association of the SPE such as insolvency or tax law.

The SPE Statute is intended to be a regulation, which means that there will be no space for variations in national law. The proposal is based on Article 308 of the EC Treaty, which involves a unanimous decision in Council and consultation of the European Parliament.

## PRELIMINARY REMARK: LACK OF CONSULTATION OF THE SOCIAL PARTNERS

In July 2007, the Commission launched a public consultation on the SPE. ETUC wants to express its strong disagreement with such a procedure; an online consultation can under no circumstances be considered as an appropriate substitute for the social partners consultation foreseen in Article 138 of the EC Treaty.

Given the impact of the SPE on existing employees' rights to participation, there is no doubt that the subject of the consultation is in the heart of 'social policy field' as mentioned in Article 138. Therefore Social Partners at European level should have been consulted in a different way, and with a clearly different weight, than the wider public, to allow them at an early stage to influence the direction of the initiatives to be taken.

## THE PROBLEM FOR EMPLOYEES' RIGHTS: CIRCUMVENTING NATIONAL LEGISLATIONS ON WORKERS' PARTICIPATION

The arrangements on employees' rights of participation contained in the Commission's proposal constitute a step backwards compared to what was achieved for the European Company and the European Cooperative Society. The proposed SPE Statute does not create specific participation rights. Employees' participation is only envisaged under the applicable law angle. There is therefore a great risk that companies will use the SPE Statute to evade the most protective legislations and that existing participation rights will be undermined.

The general principle is that the SPE should be subject to the rules on employees' participation of the country where it has its registered office. However, Article 7 of the proposal also allows SPEs to have their central administration or principal place of business in another place than the Member State of the registered office. The combination of both provisions is an invitation for businesses to play around with national legislations.

Article 5 of the Commission's proposal foresees four methods of formation of an SPE, three of which are highly problematic.

### (a) Creation of an SPE from 'scratch'

ETUC considers that the case of an SPE formed ex nihilo is highly problematic for emloyees' rights. According to the Commission's proposal, the law applicable to employee participation will be the law of the registered office – which may be different from the place where the business is actually carried out. It must also be underlined that an SPE could be formed with a symbolic share capital of 1 EURO.

A general problem here is that if there is no employees' participations rules from the beginning according to national provisions in the home country (like in Spain and/or countries with high threshold), there will be no workers' participation in the future either. Special European provisions are needed to take care of that.

### (b) Transformation of an existing company into an SPE

Where such operation is followed by a transfer of registered seat, the Commission's proposal contains many loopholes and is likely to undermine employees' participation rights.

In case of a transfer of registered office, the law applicable to participation rights will become the law of the newly registered office unless one third of the total workforce is employed in the member State where the company had its registered office before the transfer ('the home Member State') and the legislation of the newly registered office does not provide for an equivalent level of employees' participation rights. In such case, negotiations with employee representatives shall start with a view to reaching an agreement on participation of the employees. If after a period of 6 months, which can be jointly renewed for another 6 months, no agreement can be reached the rules of the home Member State are maintained.

If the negotiations provided for in Article 37.3 fail, the participation arrangements existing in the home Member State shall according to Article 37.6 be maintained. This may be problematic for some Member States. For example, the Swedish law on participation is only applicable on Swedish companies. Hence it will be impossible to maintain the participation arrangements existing in Sweden if the registered office is transferred to another Member State.

ETUC regards these provisions as highly unsatisfactory. **The 'one third of the workforce' threshold is arbitrary and cannot be justified. Furthermore, the proposed Statute does not lay down essential**

**arrangements which should govern the negotiations.** In particular, the questions of the composition and the functioning of the negotiation body remain open. It may therefore be possible that these issues will be decided upon unilaterally by the shareholders, thereby depriving the negotiations of any practical effect.

In addition, the Commission's proposal does not deal with the issue of successive transfers of registered offices, for instance where an SPE agreement already governs participation rights and the registered office is transferred to another Member State. The ETUC considers that the Commission's silence on this issue is very worrying. In particular, it is unclear whether an existing agreement would be allowed to stay in place.

**ETUC believes that the SPE statute should be completed with minimum European rules for employees' involvement. Only then, would the SPE Statute be in line with the provisions on the European Company and the European Cooperative Society. Similar rules on employees' participation rights should be adopted in the framework of an SPE in order to prevent the circumvention of national laws on workers' participation.** Indeed, the ETUC stresses rules on employee representation are already a reality for small companies in at least 12 Member States.

Furthermore, the issue of cross border transfer of registered office can only be regulated at Community level. **ETUC is adamant that a 14th Directive on cross border transfers must be tackled before the SPE Statute enters into force.**

### (c) Creation of an SPE through the merger of existing companies

According to Article 34.3 of the Commission's proposal, the provisions contained in the cross border merger Directive 2005/56/EC shall apply. ETUC considers that this is a viable option since the cross border merger Directive makes a direct reference to the arrangements laid down in the Directive 2001/86 supplementing the Statute for a European company with regard to the involvement of employees (the SE Directive).

However, because the SPE is intended to apply to SMEs, **ETUC believes that there should not be any threshold on the matter of workers participation.** Therefore, the 500 workers threshold contained in the cross border merger Directive must be fundamentally questioned.

## THE PROPOSED SPE STATUTE MUST BECOME A SERIOUS EUROPEAN PROJECT

ETUC is very concerned that an SPE operating in only one Member State will come across as a national company form with a European label, rather than a serious European project. ETUC therefore urges the European institutions to incorporate the following improvements into the SPE Statute.

### A cross border requirement

ETUC regards the missing cross border element in the Commission's proposal as a breach of the subsidiarity principle. The proposed SPE Statute would put national legal forms – and the provisions on employees participation that are attached to it – under enormous pressure. **It is therefore fundamental that an SPE should be formed only where the company is operating in at least two Member States.**

### Minimum capital requirement must not be symbolic

The Commission's proposal practically abandons the principle of a true minimum capital requirement. A minimum of just one Euro runs counter the interests of creditors. The availability of a certain level of capital resources is an indicator of financial commitment and sincerity. **ETUC therefore demands that the minimum capital requirement for SPEs is raised to at least 10,000 Euros.**

### Governing bodies

The Commission's proposal foresees only two mandatory governing bodies: a management body and a general meeting. It is unclear which governing body will take employee participation into account. With a view to securing uniform Europe-wide standards, **the SPE Statute must at least provide for mandatory supervisory bodies upward of a certain number of employees.**

### Transparency

The proposed SPE Statute is marked by a lack of transparency. ETUC is concerned that provisions on documentary proof designed to ensure transparency and external checks are virtually non existent. Because of these gaps and because SPEs will benefit from far reaching autonomy in their articles of association, **ETUC considers**

**that mandatory notarial advice is urgently necessary to secure minimum legal certainty.**

### Tax evasion

The SPE Statute should not lead to tax evasion, i.e. a company moving in the EU only on the basis of national taxation levels.

## CONCLUSION

While welcoming the enhancement of a dynamic competitive environment for SMEs, the ETUC cannot accept that SPE Statute becomes an empty shell, avoiding the issue of employees' participation.

**ETUC will only bring its support to this project if vital modifications are made to the Commission's proposal:**

- **minimum standard rules on employees' participation rights must accompany the SPE Statute. To ensure that workers' participation rights will be respected, the most appropriate approach would be, as in the case of the European Company and the European Cooperative Society, to complement the SPE statute with a separate directive on workers' participation rights;**

- **the adoption of a Directive on cross border transfer of registered companies is an essential prerequisite, in particular with a view to prevent the setting up of letter box companies;**

- **more details requirements must be laid down in particular with regard to the cross border dimension of an SPE, its minimum capital requirement, the way in which governing bodies will be able to take into account employees' participation, the transparency of its operations and the minimal conditions for corporation tax in order to avoid fiscal shopping around.**

# Executive Committee - December 2008

# 10 ETUC RESOLUTION ON THE SALARY CAMPAIGN AND GUIDELINES FOR COLLECTIVE BARGAINING COORDINATION IN 2009

Executive Committee, 3-4/12/2008

## SALARY CAMPAIGN

1. As from February 2008, the European Trade Union Confederation (ETUC) decided to start a salary campaign. On 5 April, we staged a major demonstration in Ljubljana with over 35,000 workers attending. On 1 and 2 October, we organised a conference on salaries which attracted a record turnout, with the presence of top¬level representatives of the European Commission (Mr Almunia), the European Central Bank (ECB) (Mr Trichet), BusinessEurope (Mr De Buck) and many academics and experts on salary issues.

2. At this conference, the ECB in particular confirmed its traditional position, to the effect that faced with the current economic crisis, curbs on salary policy need to be maintained, even going further than the concept of moderation, towards a deflationary salary policy capable in that way of not triggering inflationary trends due to the repercussion of the financial crisis and the wavering of raw material prices. We do not share this approach.

3. Over the past five years, we have seen, in the Eurozone countries in particular, a fall of 1.4% in purchasing power, which has led to a perverse redistribution of wealth in Europe. Eurostat certifies that during the period 2002–2007, salaries accounted for a dwindling share of European GDP (a reduction in the share of salaries across the EU27 of 4.18% and 6.36% in the Eurozone countries).

4. Nevertheless, this genuine shift in wealth from salaries towards profits has not been used by companies to increase the rate of investments in the industrial sector, given that over the same period, investments fell by 1.3% in Europe and 0.9% across the Eurozone countries.

5. On the contrary, European investments in the financial sector rose steeply (+2.7%), thus contributing to the current global financial crisis. In addition, the entire salary policy across Europe was lower than the productivity margins achieved in the meantime, and therefore, by definition, this could not possibly have been the cause of inflation.

6. The truth is that salaries have been used as a globalisation adjustment variable, to drive down the cost of production, and efforts have been made in that way to claw back the competitive edges lost in terms of innovation and capital productivity.

7. However, the result of all this has been that there has been a boomerang effect on the European economy, which still makes 85% of GDP on the internal market. The slump in salaries has led to a drop in internal demand, contributing to the economic slowdown.

8. But this policy will become even more risky and negative in the months ahead. The point is that the financial crisis has developed into a recession in the real economy.

9. The third¬quarter figures which confirm those in the second quarter show the persistence of negative growth: Europe is in recession.

10. We are convinced that on the contrary, a salary policy capable of defending purchasing power and increasing it through the redistribution of productivity gains represents a positive anti¬cyclical policy.

11. Furthermore, we never again want to live through the situation of the last financial crisis, back in 1929, when workers paid the price with the catastrophic slump in salaries and widespread job losses. On the basis of these considerations, we want to pursue our salary policy.

12. The current economic trend is set to get worse over the coming year, coupled with a more precarious labour market, producing a negative impact on salaries and in particular on low salaries and poverty salaries. Salary discrimination which already affects women (there is still a 15% gap within the same professional sector), involves migrant workers and young people at the same time. Even the ECJ judgements are moving in that direction. That is why we seek to use the campaign to fight ever harder against dumping and salary discrimination, and to reassert the principle of 'Equal pay for equal work' as the guiding principle which should apply all across Europe.

## COLLECTIVE BARGAINING IN EUROPE IN THE CONTEXT OF AN ECONOMIC DEPRESSION

13. **It is likely that a prolonged depression lies ahead.** The economic forecasts for the years ahead are not brilliant. With the financial crisis, credits to finance businesses, investments and purchases of consumer durables are no longer as widely available as they should be. The fear is that economic activity will continue to slow in 2009, with serious uncertainties around economic recovery in 2010.

14. **Pressure for even greater moderation.** This economic depression is liable to weaken the trade unions' bargaining position. Unions will be systematically faced with the blackmail of salary moderation to save part of the existing employment.

15. The consequence of this pressure might lead to very low nominal salary increases. So far, there has been a certain limit on this: for the Eurozone on average, salary rises have never fallen below 2% growth. This might change in the current crisis. The severity of the crisis and the fact that all the countries in the Eurozone and Europe are now being hard hit are new factors. Coupled with the trend towards barely¬controlled decentralisation of collective bargaining, the weakening or absence of minimum wages or minimum incomes in certain member countries, pressure from the Stability Pact on the formation of salaries in the public sector, all this might ultimately result in a salary dynamic far short of 2% growth across large swathes of Europe. Salary formation will then function as a deflationary force,

as has been the case in Japan, where the scrapping of bonuses for regular workers and the increasing precariousness of the workforce have contributed towards the construction of a deflationary trap over a long period of time.

16. **To avoid this danger, we will need to beef up the coordination of collective bargaining in Europe.** Faced with the challenges raised for collective bargaining by the depression, the ETUC urges its members to remain loyal to ETUC's traditional thrust on salary formation. To avoid making the mistake of trying to escape the crisis by competitive moderation, salary increases and collective bargaining should be focusing on the sum of inflation and the upward trend in productivity.

17. Nevertheless, it is quite possible that this thrust will not be enough. Where inflation reaches a very low level and falls well below the threshold defined as 'price stability' (2% in the Eurozone), the 'inflation plus productivity' thrust is at risk of automatically repeating the deflationary trends, thereby jeopardising the objective of price stability downwards. Should inflation really fall very low, the ETUC would call on its members to guarantee themselves against the deflationary trends by ensuring a floor for salary growth in collective bargaining which must be in any case above the threshold of the stability of the prices and increase the purchasing power of the workers.

18. **The crisis urgently demands a policy to address the problem of poverty salaries.** Not only do economic crises weaken the bargaining position of the trade unions in general, but there is also a risk of an even more pronounced effect on the workers on the lowest rungs of the labour market ladder, who tend to have a bargaining position that is structurally weak. This perverse competition on the lowest salaries must be stopped. The ETUC calls on its members to take urgent action on the problem of low salaries and to mobilise the appropriate instruments and policies to ensure that every European country imposes a decent minimum floor on salaries. This implies either a legal minimum salary, or the beefing up of collective bargaining, or a legal extension of the collective bargaining agreements, or a minimum social security income, or else a combination of these various instruments.

## EXCESSIVELY HIGH SALARIES AND BONUSES OF BUSINESS CHIEFS

19. It is time for a fairer income distribution within the European Union as well as within companies. Professionals and business entrepreneurs can earn more than ordinary workers, but the difference in earnings should be kept at a reasonable ratio. The ETUC places excessive remunerations high on the agenda and demands results from the Council to prevent risk¬taking by individuals that can harm the real economy and to restore a balanced income distribution between executives and the workforce as a whole.

20. It is not the ordinary workers on unlimited¬term contracts who are profiteering: the real 'insiders' are those high¬up managers who, after bringing their company or their bank to the brink of bankruptcy, still get paid 'golden parachutes' or continue to be paid excessive bonuses and salaries. This second perversity equally needs to be attacked. For the ETUC the Council must cover the following points:

- Member states must review the effectiveness of their regulatory framework tackling excessive remunerations;
- Member states must coordinate their fiscal system in order to create a level playing field. They also must align their fiscal measures to counter excessive remuneration schemes. Action on European fiscal coordination is necessary.
- Top remunerations and bonuses must be capped. In line with the general income distribution per country member states must review the possibility of a maximum cap on bonuses and executive pay;
- Executive pay needs to be aligned with the interests of other stakeholders and long¬term continuity and employment;
- Merit pay therefore should depend on indicators (such as customer satisfaction, employee satisfaction, corporate social responsibility) and should be equally applicable to the whole workforce, not just at the top of the company. The indicators that are often used, like volume of trade, profitability, share value, rarely show a correlation with the personal efforts or performance of individuals;
- A conflict of interest principle must be formulated: board room members should have no personal interests in mergers and take¬overs;
- Total transparency concerning every part of the remuneration

scheme or individual agreements is necessary. Workers' representatives and/or representative bodies should have the right to be informed on the remuneration schemes and be allotted speaking time at the shareholders' meeting;

- Company management should regularly issue detailed information on the proportions of the wages and remuneration for the different groups of the workforce in the company, including the management and, where existent, the supervisory board.

## TRANSNATIONAL COOPERATION

21. The Court judgements accentuate the problem of the tools available to us in the management of transnational mobility of businesses. In objective terms, there is a mismatch between the new challenge posed by the dimension of global trade and trade unions' rights and powers.

22. Without these new rights, it is harder and harder to anticipate and manage the multinationals' restructuring, relocation and outsourcing process. The point is that the production chain extends beyond borders, whereas the chain of workers' rights is growing weaker or even collapsing. The economic crisis we are experiencing is liable to accentuate this contradiction even further, and to exacerbate our difficulties.

23. That is why we will need to be more capable, for our part, of making still further improvements to boost even further the ability to reinforce transnational cooperation and initiative. In recent years, some positive initiatives have already been crystallised. Several industrial federations have taken decisions and conducted experiments on bargaining and/or management of businesses' transnational mobility, and have set up precise procedures with regard to the problems of internal coordination, based on the role of the national trade unions and the EWCs.

24. For our part, we have made an effort to encourage and make available cross-border cooperation between trade unions, for the sake of easing exchanges of information, mutual understanding of the businesses' strategy and the condition of the labour market; bargaining policies necessary to better defend workers' rights.

25. On this basis, recently, a European project framed and proposed by the IRTUC Committee was approved by the Commission, which will enable us in the coming months to step up inter¬union cooperation within seven IRTUCs, namely:

1. Friuli-Venezia-Giulia/Slovenia,
2. Andalucia/Algarve,
3. Lombardie/Tessin/Piemonte,
4. Viadrina(Berlin-Berlin-Brandenbourg/Lubskie),
5. Friuli-Venezia-Giulia/Veneto/Croazia Sudoccidentale,
6. Elbe-Neisse (Germany-Poland-Czech Republic),
7. Galicia/Norte de Portugal.

26. As to the development of the social dialogue in businesses at the transnational level, the Commission has presented a Document in the framework of the social package launched on 2 July.

27. The aim of the Document is to summarise all the activity conducted after the decision taken under the previous Social Agenda, namely to assess the possibility of giving optional legal value, at the disposal of the social partners, to agreements signed at transnational level.

28. The Document sets out a detailed roadmap of the texts signed at this level, confirming the trend towards continuing growth in these agreements. The Document confirms that from 2000 to 2008, the agreements proliferated, increasing from 32 in 2001 to 243 by 2007. Our opinion is that the crisis will accentuate this trend.

29. But in terms of the proposals, the document remains inadequate, the only proposals put forward being the creation of an Expert Panel and the building of an internet site.

30. We know that Business Europe opposes this initiative and thus the influence exercised over this Document. In any case, the Commission does not propose to open a phase of consultation of the social partners, because at this stage it has no intention of providing for a legislative initiative on this issue.

31. That being so, the collective bargaining coordination committee has called on us to continue our initiative on this issue, involving the EP,

the Economic and Social Committee and the Conference of the Regions; to encourage the initiatives by the industrial federations and to explore the legal aspects raised in any case by the development of the agreements, as shown with the ECJ judgements, so as to bring forward some proposals which will be able to drive the existing situation forward as far as possible.

# 11 ETUC position on the proposal for a directive on PATIENTS' RIGHTS IN CROSS-BORDER HEALTHCARE

Executive Committee, 3-4/12/2008

The European Commission presented – as part of the 'Renewed Social Agenda' on 2 July 2008 – a proposal for a directive on patients' rights in cross-border healthcare. The objective of the proposal is to determine how patients can exercise their right - which has been recognised by the European Court of Justice - to seek healthcare in other Member States.

The European Trade Union Confederation maintains that this proposal for a directive must be analysed first and foremost from the standpoint of its impact on the implementation of patients' fundamental rights, such as those enshrined in the European Union's Charter of Fundamental Social Rights.

On the proposal itself, the ETUC would first like to note three points of disagreement.

First, the ETUC insists that access to healthcare must be based on patients' needs and not be subordinated to their financial means. With some of its provisions, in particular the requirement for advance payment on healthcare obtained abroad, favouring those who can pay, the proposal calls into question the principle of equal access for all to quality healthcare.

The ETUC also notes that the proposal is disproportionate and that it goes beyond what is necessary to achieve its objective of clarifying the existing legal framework and increasing security for patients seeking healthcare in another European Union Member State.

Lastly, the ETUC points out that this proposal runs counter to the subsidiarity principle by proposing, among other provisions, the transfer of certain competences to the European Union authorities, for instance those relating to the organisation of the healthcare system (notably for nonhospital care and hospitalisation).

That is why the ETUC would first like to reiterate the importance it attaches to the promotion, improvement and quality of public healthcare systems as well as the universality of quality care and its accessibility for all. It notes that this role is played in the majority of cases by the national systems, which are often in the best position to meet the needs of patients through local healthcare services. In addition, a genuine public health policy may not be reduced strictly to a curative approach (receiving and/or providing care), because it also entails a much more decisive aspect, namely prevention.

That said however, the ETUC takes note that the legislative initiative restores the key role of the Council and the European Parliament – an ETUC demand – in defining rules for cross-border healthcare, which for too many years have been laid down by the Court of Justice alone. It clarifies the responsibilities of the public authorities and other players as well as procedures, which can improve transparency and legal certainty.

The ETUC also acknowledges, with regard to out-patient healthcare, an effort to simplify administrative procedures to the benefit of patients who must seek care in another Member State of the European Union. The proposal confirms the elimination of the requirement of prior authorisation by the social security system of the country of origin, which until the Court's case law of recent years used to be the rule when seeking healthcare in another Member State, except in emergencies. It thus provides patients with a simple solution to the problem of reimbursement for treatment received outside the country of origin and for medicines prescribed as part of such treatment, by introducing the principle of mutual recognition.

Lastly, the ETUC notes the proposal's emphasis on cross-border cooperation on health – including in the development of telemedecine services and the establishment of 'centres of reference', which also corresponds to an earlier ETUC request. However, such cooperation already existed in the context of the coordination of healthcare and Regulation 1408/71, which will be replaced by Regulation 883/2004. A directive was therefore not necessary to achieve this aim.

Over and above these measures which, in certain respects, are a step in the right direction for European citizens – who are also potential patients – the ETUC is nonetheless concerned about the effects that may result from this proposal and the consequences over the medium and/or longer term on national health care systems and on inequalities between patients that it may create. These concerns are varied in nature.

First, on the approach taken with this draft directive, the ETUC regrets that the initiative is in keeping with a consumerist approach – the possibility of 'shopping for healthcare' – based on the satisfaction of individual needs, the sum of which does not determine the general interest. An individualist and consumerist approach is the negation of the principle of solidarity, on which European social protection systems and health care systems in particular are founded.

Furthermore, the Member States theoretically retain control over the organisation of their healthcare systems, including for hospitalisation. On hospital care, they may thereby implement mechanisms for planning and regulating the flow of patients through a prior authorisation system. This assertion nevertheless appears to be primarily a position of principle. Indeed, as stated in the proposal, such authorisation may only be required in exceptional cases and will be limited 'to what is necessary and proportionate and shall not constitute a means of arbitrary discrimination'. In addition, the ETUC notes that the use of this wording adds a new element of legal insecurity – in contrast with what the proposal claimed to resolve – relating to the causes the Member States may invoke for introducing prior authorisation.

Likewise, the reimbursement of non-hospital specialised healthcare services is possible if these are included on the list drawn up by the Commission. This provision nevertheless raises certain questions, first of all on the Commission's competence in this area. Second, as already stated, it calls into question a responsibility of the Member States (the organisation of the healthcare system, in particular for non-hospital care and hospitalisation). It also carries the risk of challenging in a restrictive sense certain medical practices implemented in each of the States.

By facilitating patient mobility, this initiative could have another perverse effect: that of not giving the Member States an incentive to improve qualitatively and quantitatively their own healthcare system, particularly those where this is necessary and/or those with waiting lists. Encouraged mobility gives them a less costly opportunity to solve these problems, but to the detriment of national patients lacking the financial means to take advantage of such mobility.

Indeed, as drafted, in particular because patients will have to make an advance payment on healthcare obtained abroad, but also because travel and possible accommodation costs are not taken into account, this proposal will create a de facto two-tier European healthcare system, with the risk of intensifying one-way migrations:

- the migration of patients from more costly healthcare systems to the least costly systems, since ex post reimbursement will be based on the country of origin;
- the migration of service providers from countries where pay is lower to those where it is higher, with the dual risk of depriving the countries of origin of their best practitioners and disrupting the balance of healthcare available in the host country.

Similarly, certain consequences are not taken into account:

- on the essential question of patients' security - the necessity of medical follow-up ('post-treatment') and appropriate protection of patients' personal data;
- on healthcare professionals, both those working in healthcare systems having to cope with an influx of foreign patients (working conditions, training – including language training) and those working in systems weakened by massive departures of certain categories of professionals, which is likely to threaten the quality of care;
- on the tension that may exist within systems, including in terms of investments in structures to treat these new patients, and

which will have an effect on the Member States confronted with an important influx of foreign patients;

- on the organisation of systems that could be called into question or even dismantled, in particular those regulating the possibility of setting up practice or operating healthcare establishments.

This directive can lead to indirect discrimination to the detriment of the satisfaction of national needs in relation to migrant patients. Indeed, certain hospitals in particular, but also certain professionals, could give preference to and 'specialise' – which is already the case, but the trend would be reinforced – in the financially more profitable and/or higher growth branches, assigning or attracting the most competent personnel and – since budgets are not inexhaustible - neglecting other branches or sectors.

Lastly, the ETUC considers that a distinction must be made between 'free movement of persons' (on which everyone agrees) and 'free movement of services', which is a matter of internal market laws (i.e. freedom to offer/provide services, right to engage in business). The ETUC therefore reiterates that healthcare must first of all be considered from the standpoint of the general interest. It is thus clearly opposed to the subordination of healthcare services to internal market rules, which creates the risk of accentuating the privatisation and commercialisation of healthcare in the Member States. The States must remain in a position to regulate them, to guarantee the quality and accessibility of such services, taking the limits of financial resources into account.

In conclusion, a general observation is of the essence: the 'patient' is no longer at the heart of the debate, but is replaced by the 'consumer'. Indeed, the approach when seeking healthcare while travelling or working abroad is not the same as when choosing healthcare from among the range of services available in other States! The social approach is relegated to the background, to the benefit of the consumerist approach. So what will become of healthcare systems based on solidarity?

Furthermore, in the ETUC's view, as it has already explained, this proposal appears disproportionate due to the number of measure it lays down and their negative effects. Over and above certain stated intentions, it may also create a challenge to the subsidiarity principle and the social foundations on which healthcare systems are built.

The ETUC therefore urges the Council and Parliament to operate a fundamental reorientation of this proposal so as to

- take into account its priorities as outlined above as well as the aspirations of those working in these sectors,
- correct the 'consumerist' and market-based' approach of the present text,
- put the patient back at the heart of the initiative,
- and allow the development throughout the Union of quality healthcare systems accessible to all, by developing a real public health policy and allocating the human and financial means necessary.

# 12 ETUC RESOLUTION ON A EUROPEAN RECOVERY PROGRAMME

## Saving jobs from depression and deflation, defending wages, collective bagaining and pensions

1. **The Commission's Economic Recovery Plan: A good start, but questions still remain, while Member States have given it a lukewarm reception.** On 26 November 2008, the Commission brought forward its proposals to relaunch the economy. The key proposal is to organise a demand side stimulus of ¤200 billion, or 1.5% of GDP, with Member States putting in the main part of the effort (1.2%), and with the Commission describing 10 areas in which priority action is to be taken. The intention to stimulate demand is to be welcomed: it is urgently needed to prevent the economy from entering into a prolonged recession.

At the same time, there are shortcomings. The logic of the Stability and Growth Pact and the 3% deficit still continues to dominate thinking, so that the proposed action to boost demand by 1.2% of European GDP is to be undertaken essentially by Member States which have the fiscal room to do so. However, with the exception of Germany and the Scandinavian countries, there are not many Member States in such a position. Will Germany and the Scandinavian countries take it upon themselves to function as the locomotive for the entire European economy?

Another shortcoming is the imbalanced approach to wage formation. Wage formation systems in countries with inflation and competitiveness problems are under attack, whereas the opposite case, in which wage developments are lagging far behind productivity developments, is simply being ignored. More fundamentally, it is not coherent to deregulate labour markets when it is financial markets which need strong re¬regulation.

Moreover, the reaction of some Member States and some ministers has been disappointing. Particularly discouraging was the report from the Economic and Financial Affairs (Ecofin) Council. Even if the Commission's plan is far from perfect, it nevertheless represents a first step forward.

The Commission's Recovery Plan therefore has to be developed further. This resolution, describing an outline of a more coherent European Recovery Plan, provides the basis on which to intervene with the Commission and the Council, as well as at the extraordinary Tripartite Social Summit on 9 December for which the European social partners have been calling.

The ETUC resolution is based on the following key principles:

- It is now crystal clear that markets do not solve everything and that, especially in present circumstances, we need a visible public hand to steer the economy and organise solidarity in our society, including strong public services.
- The ETUC plan also starts from the principle that a strong European dimension is indispensable. European¬wide coordination is necessary to prevent isolated national action plans from reverting to 'beggar¬thy¬neighbour' or 'free¬rider' policies. European action is also crucial to ensure funding of the European Recovery plan by providing a broader access to global capital markets at more affordable interest rates and by bringing tax competition under control, thereby strengthening the tax revenue base of Member States.

2. **The economy is going into a downwards tailspin.** The financial crisis is now spilling over into the real economy. Due to a general lack of credit, overall demand is collapsing. The economy is already in recession and expected to remain so over the next four quarters or so. While the process of banks and households off¬loading their debt burdens will

continue in coming years, the prospect is one of protracted depressed growth. All of this will feed back into the financial sector crisis.

3. **Interest rate cuts and automatic stabilisers are not enough.** The ECB has finally started to cut interest rates and there also seems to be some consensus that public deficits should be allowed to increase in line with the unfolding crisis. This pragmatic approach is certainly to be welcomed. However, this is not enough.

Interest rate cuts are long overdue and are coming too late to help the economy through a rough 2009. Automatic stabilisers can only cushion part of the blow to economic activity, they cannot turn the economy around.

4. **To avoid negative expectations from becoming entrenched, urgent discretionary fiscal policy action is necessary.** If the crisis is left to unfold itself, it will intensify. Massive employment restructuring and rising unemployment will feed into even more pessimistic expectations. This, in turn, this will accelerate the fall in demand, with disinflation eventually turning into deflation. This can not be allowed to happen. To ward off the recessionary tide that is sweeping in, demand side policy needs to move and it needs to move fast.

5. **Europe needs to mobilise the power of acting together.** Although policy instruments to influence the demand side are mainly in the hands of national governments, Europe does have a key role to play. A coordinated and joint fiscal stimulus will have a double effect compared with Member States acting in isolation from each other. A European Sovereign Investment Fund, issuing European bonds, will provide Member States with access to worldwide savings at lower rates of interest. Europe is also to make it clear that all of the different forms of flexibility[1] provided for by the 2005 reform of the Stability Pact are to be used.

[1] In exceptional circumstances such as a prolonged period of low growth, the reformed Stability and Growth Pact allows deficits to increase and even to increase above the 3% threshold. The other element of flexibility introduced in 2005 in the Pact is to allow additional deviations from the Stability Pact discipline if Member States undertake structural reforms having an impact on public finances. The proposal to invest 2% of GDP in people and the environment should be considered as such a structural reform investment.

6. A stimulus plan of 2% of GDP to invest in people, innovation and sustainable development. The European Recovery plan is to be based on two principles:

*Emergency action in the very short term to keep the economy from collapsing* – To keep the economy going, a rapid and massive deployment of labour market policies of the order of 1% of GDP is necessary. The aim is both to provide more security for workers in general as well as to get money to those who need it most. Depending on Member States' labour market characteristics, this 1% of GDP 'investment in people' programme may take different forms:

a. **strengthening unemployment benefits systems** – In those Member States where unemployment benefits, eligibility and duration are relatively low, priority should go to a structural strengthening of benefit systems;

b. **increasing security for the most flexible workers** – The crisis once again reveals that labour markets in Europe are already highly flexible: from the moment economic activity stalls, this is immediately followed by a massive restructuring of employment. However, the security dimension is lacking. In particular, workers with short¬term employment contracts, such as agency workers and fixed¬term workers, are being severely hit by the economic slowdown. At the same time, workers on such contracts tend not to benefit from full social security rights and only have little access to company training measures. It is only fair that these workers are compensated for the huge flexibility they are showing by giving them additional unemployment benefits in the form of a one¬off payment. This can also be considered an 'employment' bonus which the unemployed people concerned could use to finance their search for a new job;

c. **supporting internal flexicurity** – By keeping existing workers hired during the downturn, internal flexicurity provides businesses the benefit of disposing of skilled and trained workers when the next upturn arrives. These models of internal flexicurity are promoted, on the one hand, by robust job protection systems and, on the other hand, by social security financing 'technical' unemployment. In this case, workers keep the job and work part of the time with part-time wages being topped up by unemployment benefits. Member States wishing to do so can devote (part of) the 1% of labour market policy investment aimed at developing or strengthening internal flexicurity;

d. **investing in skills and lifelong learning** – Unemployment benefit systems should be complemented by programme aimed at retraining and improving the skills base of unemployed people. In this way, periods of unemployment are used as an opportunity to improve the human capital basis of the economy, thereby avoiding the bottlenecks which typically arise when the economy recovers;

e. **job programme to boost employment in the social economy sector** – Besides training for the unemployed, another way to keep them in touch with the labour market and avoid the depreciation of human capital is to set up job programme. The jobs created through these government-sponsored programme are to respond to social needs for which there would be otherwise little attention, such as in the elderly care sector, for childcare facilities or neighbourhood workers;

f. **enlarging the European Globalisation Fund** – To these national level actions, a European level action should be added. The existing Globalisation Fund should be enlarged and turned into a fund to assist and help all workers suffering from the prospect of job losses, irrespective whether the threat to their jobs comes from globalisation or from the ongoing crisis in our economy. More resources should be made available and the involvement of social partners should be structurally assured.

*Investing in a New Green Deal to turn the economy back around.* Member States should use the breathing space offered by the 'investment in people' to set up additional investment plans. These should kick in no later than mid 2009.

If well targeted, such an investment programme will not only help the economy to overcome the depression, it will also strengthen the economy's long-term growth potential. There is an opportunity here to combine the battle against the economic and financial crisis with an agenda of investing in the development of new industries, rational and sustainable energies, European networks and social housing. Practically, fiscal policy should aim to increase investments by another 1% of GDP, thereby bringing the total recovery effort to 2% of GDP.

7. **Preventing the domino of deflationary wages from falling**. The 'real economy' (growth and jobs) is not the only domino to fall. With the economic crisis spreading in Europe, there is a danger that wage developments may even become so low that price stability is threatened from the downwards side. If disinflation turns into deflation, this will make matters even worse. To take out an additional guarantee against deflation and to prevent the domino of a downwards wage spiral from falling, the Commission should base itself on the existing Lisbon integrated guidelines[2] in order to propose a new policy process: Member States, together with the national social partners, should be invited to formulate policies establishing or strengthening a downwards floor in wages with wage dynamics to be in line with trend inflation and trend productivity increases.

This implies, among other things, making sure that:

- each country establishes a wage floor at the bottom end of the labour market, taking competition on the basis of 'poverty' wages out of the market;
- collectively bargained agreements have a wide coverage;
- the hierarchy of collective bargaining agreements is in general respected;
- wages and working conditions, as laid out in collective agreements and/or labour law, are respected and implemented in practice.

A wide scale of instruments exists to do so, such as statutory minimum wages, minimum incomes in social security schemes, support for wider trade union affiliation, legal extension of collective bargaining agreements, public procurement to promote collective

[2] The European integrated guidelines advise Member States to pursue wage developments 'in line with price stability and the increase in trend productivity'. This does not cover zero or negative wage growth

bargaining agreements. It remains the responsibility of national social partners themselves to decide which instruments are most in line with the national tradition of collective bargaining.

8. **Distributive justice, tax policy and sustainable public finances.** Rising inequalities and excessive debt burdens are closely linked. Over the past decades, capital incomes (company profits, house rents, more value on asset prices) and remuneration of the highest income earners have soared, whereas real wage growth for ordinary workers has almost stagnated. To keep demand and the economy going despite the accumulation of wealth in the hands of the top earners, households were forced to indebt themselves. This model of 'debt and asset price bubble' driven growth is not sustainable and is now shifting into reverse gear. Households and banks are now deleveraging from excessively high debt levels and this risks depressing growth for years to come.

To avoid this process of debt deflation resulting into a prolonged depression, tax policy needs to engage in redistribution, shifting income gains from capital and wealth back to middle class workers and households. Given the level of economic integration and tax competition in Europe, this implies a European agenda including tax coordination, attacking tax havens zero or near zero taxes, flat tax regimes and addressing issues such as a minimum rate of taxation and a harmonised tax basis for corporate profits, capital gains taxes and taxes on high fortunes.

At the same time, European tax policy coordination also allows to address the question of the sustainability of public finances. To prevent the process of debt deflation from ruining our economies and societies, the public sector will need to steer the economy and intervene much more and public deficits and debt will increase. To maintain the sustainability of public finances, including the commitment to pay decent pensions, new tax resources will be necessary and these can be found with those incomes and fortunes which until now have highly profited from casino capitalism. It should also be recalled that public consumption and investment are far more effective in getting demand back into the economy than tax cuts which are very likely to leak away into higher savings.

9. **Coherent industrial policy and sustainable development is needed as well.** The financial crisis and the crisis in the real economy are also raising the specific question of the role and future of industry in Europe.

European industry makes up 20% of GDP and provides 40 million direct jobs. The financial and economic crisis is now threatening these as never before, along with millions more jobs dependent on the core industries. European environmental standards are also among the toughest in the world – to the extent that they are bench¬marking future global action. European firms trading in international markets already feel strong competitive pressures as a result of EU environmental regulation, as well as many other pressures. However, on the plus side European R&D, technological innovation and the response of firms to environmental standards, to deal with climate change and other issues have created a new dynamic.

The Commission has recognised part of this new dynamic for a transition to a lower carbon economy, by emphasizing clean technology and systems and green products. Consumers are already demanding these in any event and will increasingly select the cleanest; therefore the pressure for transition is rising. The ETUC has won a commitment from the French Presidency to establish a Social Partners' Consultative Committee on Climate Change. If we must keep the warming of the planet to within 2 degrees centigrade by 2050, as the EU has agreed, then such a concerted approach is essential to make the transition. This would discuss how difficult measures should be implemented, including those affecting employment, for example. Europe has an obligation to make a difference here, as our nations are responsible for putting a very large part of atmospheric $CO_2$ where it now is. Others, like China and India have now overtaken us in emissions, but we all suffer. We can help them and at the same time help ourselves.

Consequently, the ETUC supports strongly the 'green cars' initiative, the European energy efficiency in buildings programme and the 'factories of the future' for R&D; so as to achieve the 2 degree goal we must create both sustainable production and consumption. The ETUC sees the elements of a clean technology revolution underway, which must be maintained in a situation of credit shortage. This, together with other measures, can help to guarantee existing jobs, meet tough environmental standards and provide a whole new range of exports, especially relevant for the metal and other manufacturing sectors. We can already see that those economies which seize the leadership in green technology are most likely to be among the first to emerge from the global crisis as well as help to save the planet. Out of the crisis, a new vision can come, making up part of the 'Green New Deal' as a package worthy of the 21st century.

10. **The re-regulation of financial markets must be accelerated and ensure that the crisis never happens again.** The financial crisis threatens heavily the real economy. Complementary to a fast implementation of a European Recovery Programme to support the real economy the European Action Plan on Financial services as well the modernisation of company law and corporate governance has to be concretised and implemented immediately. The ETUC as well as UNI Europa have made concrete proposals for more effective regulation of financial markets (see ETUC position paper, October 2008 and UNI Europa demands, May 2008). The European Union must act together and speak with one voice in the framework of the G20 at the international level in order to put the financial sector back at the service of the real economy. We need reforms which fundamentally change the structure and the incentives of the financial architecture. The declaration of the G20 leaders acknowledges that there are regulatory gaps in the global finance system and a road map to review global financial regulation has been set up with a timeline for action by March 2009 and a number of key issues to be addressed. However, other major issues raised by the international trade union Movement are not taken on board as public accountability of central banks, protection of pension schemes, international taxation and limits to speculative trading. Moreover, there is no acknowledgment of the need to involve trade unions and the International Labour Organisation (ILO) in the ongoing negotiations. ETUC will continue to act together with the International Trade Union Confederation (ITUC), the Trade Union Advisory Committee (TUAC) to the Organisation for Economic Co¬operation and Development (OECD) and the Global Unions and reiterates its support of the 'Washington Declaration'.

11. **Ensure workers get a fair deal and upgrading workers rights.** Finally, it should be underlined that the economic crisis must not lead to a weakening of the position of labour. To combat effectively the economic crisis and further labour market segmentation, an

upgrading of workers rights is the right response. Collective bargaining institutions have to be strengthened to ensure a floor to nominal wages. ETUC therefore calls on Europe to fight for workers' rights, for fair and decent wages, for stable jobs and for strong collective bargaining practice, independent of and not subordinated to judges and the European Court of Justice.

An avalanche of restructuring plans is being announced in many companies, and agency work and fixed¬term work are also reducing fast as a result of the crisis. Instead of structural reforms promoting 'easy firing' and longer working hours (WTD), we now need reforms providing companies with the incentive to develop policies, such as further internal training and internal functional flexibility, which promote stable jobs. In addition, workers' participation rights have to be strengthened (as for European Works Councils) to manage change and to improve working conditions as well as productivity.

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