



# Solidarity in the Economic Crisis

## Challenges and Expectations for European Trade Unions

May 2011

- **Annelie Buntenbach (DGB, Germany)**  
Alternatives Are Possible and Necessary
- **David Begg (ICTU, Ireland)**  
It's Back to Basics for the ETUC
- **Erich Foglar (ÖGB, Austria)**  
A Fundamental Political Alternative to the EU Internal Competition Model
- **Agnes Jongerius (FNV, The Netherlands)**  
Social Europe as Our Way out of the Crisis
- **Wanja Lundby-Wedin (LO, Sweden)**  
We need to Re-establish the European Union as a Union that Serves its Citizens
- **Yannis Panagopoulos (GSEE, Greece)**  
A European Strategy for Solidarity, Employment and Rights
- **João Proença (UGT, Portugal)**  
Response of the Trade Union Movement in Defence of Employment, Cohesion and the Construction of Europe
- **Jaroslav Zavadil (CMKOS, Czech Republic)**  
Solidarity Remains Our Common Principle





## Content

Gabriele Bischoff/Alexander Kallweit	
<b>Introduction</b> .....	<b>3</b>
Annelie Buntenbach	
<b>Alternatives Are Possible and Necessary</b> .....	<b>5</b>
David Begg	
<b>It's Back to Basics for the ETUC</b> .....	<b>6</b>
Erich Foglar	
<b>A Fundamental Political Alternative to the EU Internal Competition Model</b> .....	<b>7</b>
Agnes Jongerius	
<b>Social Europe as Our Way out of the Crisis</b> .....	<b>8</b>
Wanja Lundby-Wedin	
<b>We need to Re-establish the European Union as a Union that Serves its Citizens</b> .....	<b>9</b>
Yannis Panagopoulos	
<b>A European Strategy for Solidarity, Employment and Rights</b> .....	<b>11</b>
João Proença	
<b>Response of the Trade Union Movement in Defence of Employment, Cohesion and the Construction of Europe</b> .....	<b>11</b>
Jaroslav Zavadil	
<b>Solidarity Remains Our Common Principle</b> .....	<b>13</b>
<b>Further Reading</b> .....	<b>15</b>



## Introduction

With the crisis of the Economic and Monetary Union (EMU) continuing, the defects of its construction are coming to light. For decades, the focus had been solely on economic integration. Successful projects such as the creation of the single market and the introduction of the common currency stand in sharp contrast to the shortcomings with regard to macroeconomic coordination, as well as the comparably slow development of the European Union's social dimension. The resulting heterogeneous socio-economic development is reflected in high balance of payments deficits and surpluses and increasing inequality.

It would be too easy to blame the high level of public debt in many EU Member States – and especially in the countries of the south-western European periphery with their liquidity crises – on unrestrained public budget policies and high unit labour costs. The high budget deficits of virtually all Member States cannot be held responsible for the crisis of the Euro area. Responsibility lies solely with the rescue packages for ailing banks and financial institutions and the introduction of economic stimulus packages, all leading to overall – and sometimes astronomical – indebtedness. Overcoming the crisis with unrealistic consolidation programmes, increased sanctions and demands for cuts in social services and wage freezes in countries with balance of payments deficits will not succeed.

Instead, the focus should be on correcting economic disparities and fostering political integration within the EU. A symmetrical approach, with both deficit and surplus countries assuming liability, would be acceptable. It would have to be clarified to what extent public debt could be successfully reduced to normal levels without requiring a policy of permanent austerity. Finally, the financial markets, as the main instigators of the crisis, should be made to bear their fair share of the burden: putting it solely on the shoulders of employees should not be an option.

Europe needs to overcome the consequences of the crisis, finding sustainable and promising European responses that will hold up in the medium and long term and are acceptable to the population at large. The proposals currently on the table – whether the Euro Plus Pact

or the European Financial Stabilisation Mechanism – do not as yet ensure this.

The design of Europe's new economic governance confronts trade unions with new challenges. They are being asked to develop their own proposals for better coordinating wage policies, while at the same time making sure that the principle of free collective bargaining is upheld.

European workers have not allowed themselves to be pitted against each other. And we must continue doing everything possible to keep it this way, especially as there are now signs that the effects the crisis has had and is having on workers vary greatly: for example, the effects differ significantly for workers in countries coming under the Financial Stabilisation Mechanism and for those in countries which were not so hard hit by the crisis and/or have recovered relatively well.

For this reason, we asked a number of high-ranking trade union officials from various European countries to submit contributions on the challenges they see themselves facing in the coming years. What positions should the European Trade Union Confederation (ETUC) be taking in particular with respect to overcoming the financial, economic, social and euro crises?

We were able to obtain contributions from trade union leaders:

- from countries coming under the Financial Stabilisation Mechanism: Ireland, Portugal and Greece;
- from countries belonging to the Euro Plus Pact: Germany, Austria and Netherlands; and
- from countries not belonging to the Euro Plus Pact: Sweden and the Czech Republic.

DGB executive member Annelie Buntenbach stressed the importance of joint solidarity-based resolutions for overcoming the crisis. Furthermore, the European trade union movement needed to pool its efforts for social progress and fair mobility within Europe to a much greater extent, both at national and European level. The fight against wage and social dumping would need to be a key focus for the next four years in order to achieve fair wages and boost purchasing power.

General Secretary of the Irish ICTU David Begg points to a paradox that needs to be resolved, stressing the absolute necessity of fostering political integration to ensure the survival of the euro. The Irish elections were clear proof of the fact that socially unbalanced austerity programmes lead people to reject such integration.

Erich Foglar, president of the Austrian trade union federation ÖGB, comments on how quickly the neoliberal mainstream has regained the upper hand and that it was not wages that caused the crisis, but deregulated and liberalised markets. A strong ETUC was needed to combat the wrong policy choices in Europe.

Agnes Jongerius, president of the Dutch FNV called for a different focus for austerity programmes and the proposals for economic governance, saying that Europe needed to show workers that it had a social dimension.

The president of the Swedish trade union federation LO, Wanja Lundby-Wedin, followed suit, expressing her great concern that the sole response the European Union had for overcoming the crisis was to reduce wages. In her contribution, she outlines challenges for the coming years. To start with, the concept of a Social Europe needs to leave the drawing board and finally become reality. She then goes on to underline the importance of integration and the position of Europe in the world.

The president of the Greek trade union federation GSEE, Yannis Panagopoulos, points to the growing tensions and disparities between the dominant economies of Northern Europe and those on the European periphery. He goes on to state that European institutions were still putting markets before people, with macroeconomic policies for full employment and a social Europe no more than »bumper stickers«.

João Proença, general secretary of the Portuguese trade union federation UGT warns about a return to the old neoliberal economic model, stating that the EU is obsessed with consolidating public budgets. The core challenge for the ETUC is to underpin the EU's social dimension.

The president of the Czech trade union federation CMKOS, Jaroslav Zavadil, sees the ETUC as playing a key role, saying that trade unions are the only organisations in a position to provide an effective counterbalance to the global economy. He strongly advocates sectoral trade

unions and their responsibility for systematically coordinating trade union activities in multinational companies.

The European Trade Union Confederation is facing major challenges and great expectations. The Economic and Monetary Union is on the brink of a precipice, with much being put to the test over the coming four years. The ETUC will be in a position to achieve its aims if it is successful in setting the right core themes for future trade union strategy, enabling European trade union movements to have a say in designing Europe in a united, well-organised, critical and resolute manner.

Our future and the future of the European Project are at stake.

Gabriele Bischoff  
Head of European Politics Department  
Confederation of German Trade Unions (DGB)

Dr Alexander Kallweit  
Head of the Division for International Dialogue  
Friedrich-Ebert-Stiftung (FES)



Annelie Buntenbach

## Alternatives Are Possible and Necessary

Europe is faced with the task of overcoming the consequences of the biggest financial, economic and social crisis since the 1930s – and which has also developed into a euro crisis – in the course of the next four years. The European Union thus faces its sternest test since its foundation. Europe must show that it has learned the right lessons from the crisis and help to bring the financial markets under control through the rapid and effective regulation of those markets, especially by combating speculation and eliminating the tax havens. Europe must, at the same time, provide its citizens with the security that the current crisis will not be used as a pretext to finally sacrifice the European social model to the market. And it must urgently become more democratic and transparent by ending the hegemony of the Council and greatly strengthening the power of the European Parliament and the national parliaments, as well as involving the social partners in an appropriate manner.

It was therefore wrong to accept a Euro Plus Pact intended, on the one hand, to improve the competitiveness of the Eurozone at the sole expense of European workers while, on the other hand, wanting to reverse the public sector debts caused by the financial and economic crisis primarily through huge cuts in social welfare systems. Under pressure from the financial markets, the European Council and the European Commission initiated a paradigm shift which ultimately reverted to the old ideas. Those causing the crisis have been spared: bonuses and special payments are again being generously distributed to bankers and directors, while the workers that generate all this are to see their incomes cut even further. They have to reckon on huge cutbacks in social and health care, while their real wages are being reduced in many member states (including Greece, Romania and Ireland), with wage restraint being preached to all other workers. But that's not all. In the course of the crisis, sections of the political elite are trying to tear up the very roots of free collective bargaining. In the indebted countries, existing wage agreements have been interfered with and minimum wages decreased. Under the guise of productivity-oriented pay policy, the Euro Plus Pact is encroaching on historically developed wage formation processes by calling for the decentralisation of wage determination and wanting to sanction pay agreements as required. Governments are then to be punished for wage agreements between the collective bargaining parties that are supposedly too high and will have to pay penalties. We

cannot accept this. As the ETUC, we must therefore fight together for a change of course in Europe – for more justice, qualitative growth and employment:

- The autonomy of the collective bargaining partners must not be violated.
- The solidarity-based social, pension and health systems must be stabilised and strengthened.
- Stricter measures against wage and social dumping have to be introduced throughout Europe, stimulating social cohesion and distributing social prosperity fairly.
- An ambitious investment and innovation programme must ensure that growth, employment, income and prosperity are created for everyone through future-oriented investments.
- Fair tax systems, as well as solid and sustainable tax revenues must be guaranteed and coordinated Europe-wide.
- The cost of speculation must be raised at last by way of a European financial transaction tax, thereby increasing fiscal revenues.

Without such a change of course, Europe will sink ever deeper into crisis, with its citizens becoming profoundly disconcerted and disappointed by European politics. With the current policy, those forces will be strengthened which – seeking their salvation in nationalism – want to turn back the clock with regard to integration. It is therefore tremendously important for the European Trade Union Confederation to give workers a voice, articulate their protests in a clear and understandable way and carry these protests into the EU institutions, as well as onto the street. But we must not stop at this. The European trade union movement must develop economic, social and fiscal policy alternatives, translate these into appropriate European policy strategies and communicate the demands in a visible and vociferous manner. The aim is more Europe, but with different European policy course settings, as described in the Congress resolution.

Social progress and fair mobility in Europe: these are the goals for which we are joining forces and mobilising together. »Equal pay and equal rights« must apply right

across Europe, which must become the driving force for fair, sustainable and just distribution of prosperity.

Europe will succeed in this or risk doing away with itself.

I am convinced that we can succeed if we do not allow ourselves to be divided and played off against each other. We are also facing a severe test within the European trade union movement due to the centrifugal forces

which have been intensifying through the crisis and affecting workers in Europe in very different ways. We can succeed if we act in solidarity and fight together for a Social Europe and against wage, social, environmental and tax dumping.

We are mobilising for a political Europe in which the market is not an end in itself; instead, we want prosperity for all.

David Begg

## It's Back to Basics for the ETUC

The collapse of Lehmann Brothers in September 2008 precipitated a banking crisis which hit Europe – and the peripheral countries in particular – very hard. The pre-existing condition of deregulated capital markets facilitated interbank borrowing across borders at unprecedented levels. The collapse of trust and confidence following Lehmann's demise, however, quickly manifested itself as a liquidity crisis and, in due course, as a crisis of bank solvency. While the problem is most acute in peripheral countries many banks in the core countries are creditors of banks in the former.

Whatever the outcome of the banking crisis it is clear that fiscal constraints will dominate public policymaking across Europe for many years to come. The European Council has already made several unsuccessful attempts to find a path to recovery. Unfortunately, these attempts seem to lack coherence, influenced as they are by domestic politics and a parallel process of intensive intergovernmentalism. Insofar as remedies have been put forward they seem to be conceived around more extreme versions of the type of liberal market economies that caused the problem in the first place. It is not without significance that after three years only minimal reforms of the financial system have been embraced while there is an all out assault on collective bargaining and neo-corporatist institutions via the so called »Competitiveness Pact«.

In truth, it is not a Competitiveness Pact that Europe needs at this time but a Solidarity Pact. Unless all countries can reignite economic growth, existing imbalances will widen and debt levels will become unsustainable.

Most politicians and citizens want to preserve the single currency. Nevertheless the crisis has exposed faultlines in terms of whether an optimal currency area exists and the absence of any institution for economic coordination matching what the ECB does for monetary policy. The point is that ending the crisis and addressing these structural deficits means big changes – changes that require widespread public support. The task for the ETUC as I see it is to ensure that workers' interests are taken on board when this new polity is being constructed.

Even beyond the immediate banking and sovereign debt crisis the Eurozone is confronted by a paradox. The survival of the euro requires a more balanced form of economic and monetary union. This can be achieved only through deeper European integration. On the other hand, the recent elections in Ireland and political developments in other countries demonstrate that there are political limits to austerity which will manifest themselves in antipathy to deeper integration.

To end on a positive note, Europe does have the institutional architecture, in the form of social dialogue, to build a new consensus on the future of Europe if it chooses to use it. While the actions of the political elite in recent times do not auger well for adoption of this course our mission must be to force the reality of the paradox on their attention. This is a question no less of the core values of the European project, of which solidarity is paramount. It's back to basics for the ETUC.



Erich Foglar

## A Fundamental Political Alternative to the EU Internal Competition Model

The financial and economic crisis has turned the tentative efforts to create a European social union into a heap of rubble.

The crisis has revealed the failure of neoliberal ideology and economic policy, which relies on market fetishism, liberalisation, privatisation, deregulation and the curtailment of workers' rights.

Nevertheless, political forces which favour this view and neoliberal mainstream economists surprisingly quickly regained supremacy and are telling workers that there is no alternative to the current policy of the European Commission: no alternative to an austerity policy, which in many countries of the EU has triggered a downward poverty spiral; no alternative to an approach to economic governance which is heading in the wrong direction, calls the autonomy of collective bargaining into question and aims to turn the EU once again into a purely economic and competition-oriented union.

We must not allow ourselves to be deceived by this any longer. We already had an Internal Market Commissioner some years ago, who regarded any kind of financial market regulation as the work of the devil and wanted us to believe that the financial industry, by adopting so-called voluntary »self-regulation«, would be able to make best use of its growth potential.

Trade unions, which for years warned against the probable consequences of this irresponsible policy, were laughed at as seeking to apply the brakes and as die-hards. Let us make it clear: it was yesterday's neoliberal recipes which led directly to a worldwide financial crisis and plunged millions of people into a social disaster.

It recklessly unleashed financial capitalism and liberalised and deregulated financial markets which led to unprecedented levels of debt: it was not because wages were too high or due to »exuberant« social standards and social systems!

Now it is outdated neoliberal ideas which hang around the necks of workers and taxpayers like millstones. Those responsible for the crisis are trying to put out the fire using petrol!

The ETUC and the European trade unions have to counteract this dangerous development in European policy with a convincing alternative. We must continue where convinced European John Monks left off, issuing the warning: »No, this far and no further. This Europe will no longer be ours!«

This demand will be the benchmark for the ETUC, its Secretariat and its affiliates over the coming years. Amidst a neoliberal restoration in the EU it is no longer sufficient to implement isolated improvements for workers. We trade unions will do justice to millions of workers and our own aspirations only if we fight for a fundamental political reorientation, which at last focuses on the interests of workers and thereby the vast majority of citizens in the EU.

To pursue this approach clearly and, at the same time, to strengthen the ETUC as a key player and partner in the political decision-making process in Europe, is the great challenge for the new ETUC leadership team, which requires the full support of all affiliates.

The ETUC's new Strategy and Action Plan provides all of us with a guideline with regard to where our political responsibilities lie, starting with the fight for genuine economic governance, one which is worthy of the name.

Governance which supports a socially secure sustainable growth model, insists on increasing purchasing power through fair wages for decent work, achieves macroeconomic coordination and promotes investment in employment.

This is our alternative to the planned internal competition model of the European Commission and many Member States, which is based on the race to the bottom and competition for the lowest wages and corporate taxes. In the end, this model pits workers against each other and is therefore deeply anti-European! The trade unions also autonomously coordinate wage and bargaining policy at EU level and will not allow any interference in their core competences.

The ETUC and its affiliates will wage this campaign against the neoliberal restoration of the EU and we will need to be patient until our ideas are heard.

This also applies to the important issue of regulating the financial markets. Few lessons have been learned from the financial crisis if one looks at the modest regulatory steps of the past two years.

Without genuinely regulating the financial markets and the financial industry, with its influential lobbies, there will be no fundamental political change of course.

Concerning this issue, a large European internal market needs political leadership that really leads and does not hide behind the financial lobby: therefore, a clear »yes« to a European Financial Transaction Tax and another »yes« to putting even more pressure on the European Commission so that it at last presents concrete proposals for their introduction.

Finally, the goal of a fair internal market must once again become the political focus. This includes above all the

principle »Equal pay for equal work in the same place«. This is the basic principle of a social union, which is not based on wage and social dumping but on strong social minimum standards. The ECJ rulings in this area must be corrected in the political sphere: the Charter of (social!) Fundamental Rights must be given life.

The ETUC will need the support of strong affiliates to be able to implement this ambitious programme successfully. The ÖGB will continue to support the ETUC, because I am convinced that the European level today is a natural field of action for us trade unions: »European policy is domestic policy!« That is why the demands of the ETUC are our demands, which we will represent also at national level – this is the best contribution along our path to further Europeanisation of the trade union movement and to a Social Europe.

Agnes Jongerius

## Social Europe as Our Way out of the Crisis

In 2000, the economic prospects were good. I remember a good atmosphere, a spirit alive with new possibilities for a true Social Europe. The Lisbon Strategy, with its open method of coordination, was a source of hope. Our sights were set on socially oriented European economic policies, with competition in the internal market, upward social convergence and a floor of social rights for everyone.

That positive outlook for upward convergence has changed. The moment the economic tide changed direction and the ICT bubble burst, the lofty social goals of the Lisbon Strategy diminished rapidly. Suddenly, the focus was on economic growth: social policy was put on the backburner and environmental policy goals were out of the picture entirely.

With the first signs of economic downturn, economic growth became the guiding principle. Nobody denies that economic growth is, indeed, a necessity, but there are different ways to pursue it. We, as European trade union organisations, have our own vision of how to establish economic growth hand in hand with social progress.

We started to feel the need to go on the offensive for a Social Europe. In 2008, when various rulings by the European Court of Justice made it clear that the fundamental freedoms of the internal market take precedence over national labour market policy and even over fundamental social rights, taking a proactive approach became vital.

And then the financial and economic crisis hit. The past four years have been hard for trade unions and workers. Despite adopting the slogan »On the offensive« at the ETUC Seville Congress we were firmly pushed onto the defensive.

Everywhere in Europe trade unions are fighting against unemployment. We are all defending our social protection systems and employment protection legislation: both in our own countries and working together at the European level. With the 2009 elections of the European Parliament, we could no longer count on an ally, but were forced to accept the fact that a more conservative wind was blowing over Europe.

Then came 2010 and the euro crisis. A number of countries have been particularly hard hit. Greece, Ireland and Portugal have been forced by the European institutions and the IMF to impose harsh austerity measures. The overall picture is of budget cuts to reduce deficits.

Europe acted swiftly but it was not the response we had in mind. The recent Euro Plus Pact measures still pose a threat to our wage bargaining systems and to our national social protection systems because of its focus on reducing labour costs. Focusing solely on reducing budgetary deficits without an eye for the workers who ultimately pay the price of the crisis is a recipe for social unrest.

And I do not even think that the recipe will work. Countries with a good social protection system and high levels of social security have proven able to overcome the effects of the crisis much more quickly and safely than others. Trade unions are indispensable in this process, mitigating the effects of the crisis for the workers. Social dialogue, with strong trade unions and high levels of social protection, are the right recipe for exiting the crisis!

The challenges for the coming years will be to change the focus of the austerity measures and economic governance proposals. We need to come out of the crisis

stronger than before by building a Social Europe. Europe is more than an internal market with a low administrative burden! We need to show our members – the workers of Europe – that Europe also has a social face, and that social policy can be a strength in a global economy.

Our task is not an easy one because of the divergence between member states and our own national outlook. If our governments pledge themselves to European economic governance, as the sole path out of the crisis, trade unions will simply be forced to do likewise. We cannot ignore the shift towards economic and budgetary policy coordination at the European level. For every national trade union European action, cooperation and coordination are simply more necessary than ever. We need to build on our strengths, by linking the national level better to the European level. The 12th ETUC Congress in Athens is a good opportunity to reinvigorate our trade union power!

We cannot be positive about the economic outlook, but we can be sure of our trade union power, of the voice of 60 million workers. Those workers cannot be ignored. Let's resist and rebound, standing together in combining our individual strengths at the European level. Thus from Athens forward in Solidarity and Strength!

Wanja Lundby-Wedin

## **We need to Re-establish the European Union as a Union that Serves its Citizens**

When the European Trade Union Confederation gathers for the Congress in Athens in May 2011 it will confront another Europe than the one faced at the Seville Congress in 2007. During the intervening years the European Court of Justice (ECJ) has dealt a number of severe blows to the European trade union movement in a series of judgments in the *Viking*, *Laval*, *Rüffert* and *Luxembourg* cases. This has created growing scepticism among citizens towards the EU.

These judgments were followed by a financial crisis that turned into an economic and social crisis. Workers around the world have paid the price of the crisis by losing their jobs, homes, savings and security. Precarious

work and poverty have spread, purchasing power has fallen and public debts have increased. Workers, through no fault of their own, will continue to pay for this crisis for many years to come.

The way this crisis is being dealt with by the European authorities is very worrying. The underlying idea behind the current proposal is that competitiveness is to be strengthened through wage reductions. This is dangerous. Europe will never be able to – and we do not want to – compete on the basis of low wages: we need to compete on the basis of knowledge and competence.

The debate about long-term reform of the EU's economic governance can no longer be driven by the trauma of the Greek crisis. It is certainly crucial to avoid the repetition of this kind of crisis, but the central issue driving this reform should be another one, namely, how Europe can manage fiscal consolidation while fostering a new kind of growth – green, smart and inclusive – that will be necessary to maintain Europe's competitive advantage in a globalised world.

Looking forward we need to re-establish the European Union as a union that serves its citizens. No political association exists merely for its own sake, whether at local, regional, national or international level. The European Union and its institutions find their purpose addressing the concerns and solving the problems facing its citizens.

To do this, the EU needs to find a better balance in the Treaty, between fundamental trade union rights and economic freedoms. After the judgments of the ECJ, however, fundamental trade union rights are being subordinated to the economic freedoms – this is not acceptable!

In order to achieve long lasting change we need a revision of the Treaty in order to include a Social Progress Protocol.

Otherwise, the EU risks losing popular support. This would be a serious problem: we need a strong EU to tackle common challenges in the coming years. The challenges that will need a strong and well-functioning European Union include the following.

First, the need for greater social inclusion requires common efforts on the part of the European institutions and member states. Two of the headline targets in the EU2020 strategy are central in order to achieve social inclusion: labour market participation and the reduction of poverty.

To achieve either of these two targets we need to create equal opportunities for men and women to work and earn a decent living. One way to achieve this is to make part-time work a free choice and full-time work a right for all. This is not just about the emancipation of women but also the ability of our societies to remain competitive. In order to maintain the welfare state, everyone needs to be given the possibility to contribute their best.

The ability of women to earn a living is also crucial in order to tackle what should be a top priority for the EU and its member states, the struggle against child poverty.

Second, Europe is facing a challenge from migration and demographic change. Even if we are able to reach our targets for labour market participation Europe will need a steady flow of immigrants and migrant workers in order to manage its demographic challenges. But this will not be accepted if third country nationals continue to be exploited by companies simply as a way of reducing labour costs.

If this is not dealt with correctly we run the risk that citizens in Europe, instead of embracing the opportunities that come with migration, develop xenophobic feelings towards migrant workers. This is why also people besides the trade unions need to be worried about the decisions of the European Court of Justice in the *Laval*, *Viking*, *Rüffert* and *Luxembourg* cases.

Finally, I would like to emphasise the need for the European Union to play an active role in the rest of the world.

A European Union with strong and competitive companies, large welfare states and decent wages for all workers could serve as an example to which other parts of the world turn for inspiration. It is only by influencing the rest of the world that we will be able to preserve our way of life.

If this is to be successful, the EU needs to be a consistent advocate of human and trade union rights. We cannot support regimes that violate basic human rights simply on economic grounds. The lesson of the developments in North Africa requires a new approach in EU foreign policy.



Yannis Panagopoulos

## A European Strategy for Solidarity, Employment and Rights

The coming four years of the new ETUC mandate will be dominated, as all evidence shows, by an acute crisis that will further deepen the current adverse socioeconomic context. Divergence and tensions between the dominant Northern economies and the European periphery in the EU have critically deepened and exploded into a crisis, starting with Greek sovereign debt, then encompassing other countries. Deficient governance, intransigence and the failure of EU governments to respond rapidly have pushed the situation towards a generalised currency crisis. As the IMF agenda was introduced in Europe, not only did Greece, Spain and Portugal implement severe cuts and austerity measures but the larger member states proceeded to announce cuts that primarily affect social policy spending, workers and the ordinary taxpayer. But what we see in Greece, where the most brutal exit strategy has been implemented since mid-2010, is not recovery but deep recession and sharply rising unemployment. Notably, even the IMF warns that such protracted fiscal retrenchment can push Europe back into recession. Meanwhile in Europe the increasingly unequal income distribution is exacerbating the risk of poverty, reflecting sharp polarisation: both the number of wealthy and the value of their wealth in the EU have increased but 84 million people live in poverty. Shamefully, 19 million of these are children. There are serious implications for social cohesion and democracy as citizens' anger and reactions are inevitably exploited by extremist populist ideologies.

The policy background to this grim picture has been the fixation of the European authorities with markets above people, as well as with liberalisation and deregulation. No lesson has been learned from the 2008 crisis: financialisation has been established to the detriment of the real economy. Macroeconomic policies for full employment and Social Europe are retained only on paper, while a fundamentalist monetary and fiscal policy is transforming citizens and their social rights into marketable commodities. Even worse, the crisis is being used in countries such as Greece as a pretext for uprooting workers' rights, violating core ILO standards and conventions. But this drive will not stop in Greece which, according to every indication, is being used as a laboratory to test the new order of things.

This is the difficult context the ETUC will have to address. The context I described above indicates our duty: to fight effectively for solidarity, employment and rights in the context of the European social model. What we are facing now surpasses anything we have had to address so far as trade unions. Thus we must elaborate new, more effective ways to strengthen our voice and our ties with society. Faced with the destructive dynamics of a finance-driven capitalism that is detaching society from the economy, inevitably our fight should be guided by Karl Polanyi's fundamental assertion: It is essential to embed the economy in society and not embed society in markets.

João Proença

## Response of the Trade Union Movement in Defence of Employment, Cohesion and the Construction of Europe

Recovery from the economic and social crisis has, generally speaking, been slow and weak in the European Union by international comparison.

In a first stage, driven by the G20, the EU's policy responses seemed to be headed in the right direction, with the adoption of a coordinated economic stimulus plan, including support for maintaining and creating jobs and improved protection for the unemployed and the vulnerable. There also seemed to be a political will to strengthen the transparency and regulation of the finan-

cial markets and to rein in the casino economy that contributed so much to the crisis.

However, austerity policies have emerged once again in the name of budget consolidation and stability, thereby dampening economic revival in many member states. This has led to rising unemployment and generally demands huge sacrifices from citizens, particularly workers and pensioners. What should be an instrumental objective seems to be transforming itself into the EU's overall purpose, which is unacceptable.

The crisis has caused a deterioration in public accounts but we cannot ignore the role of speculative «exuberance» in the international financial markets and rating agencies – with no external controls – which led to problems with sovereign debt and foreign financing in several countries. No preventive and/or corrective measures have been taken by Community institutions to maintain a close-knit Union and keep the Eurozone in good working order.

UGT has always stated that Portugal's situation and pressures from the financial markets demand reductions in the budget deficit and in the foreign trade imbalance. However, we disagree wholly with many steps taken by the government, which led to a General Strike in November 2010.

We are committed to finding solutions able to respond to the financial and economic crisis, but also to unemployment, social inequality and poverty, which are currently very high.

We acted via collective negotiations, both sectoral and enterprise level. We also engaged in tripartite and bipartite social dialogue.

On 22 March 2011, UGT, together with the four employers' confederations and the government, signed a *Tripartite Agreement for Competitiveness and Employment*. Commitments were made in fundamental areas to combat structural deficits and consolidate the budget. We feel that, with the structural reforms and austerity measures already taken and which have imposed so many sacrifices on the Portuguese over the past three years, as well as the measures included in this tripartite agreement, the conditions would be put in place to face the challenges to our economy and society, without the need to resort to foreign aid. Nevertheless, national political errors, but also an inadequate response by the European Union to the financial speculation affecting some countries, led to a request for foreign aid of the kind already made by Greece and Ireland, albeit with a number of features peculiar to Portugal.

In fact, the European Union is «obsessed» with budget consolidation, at whatever cost.

It is with grave concern that we are witnessing the return to the previous economic paradigm (weak regula-

tion, social deregulation, a restricted role for the state, social inequality, financial speculation) which has been shown to be a failure. Equally worrying are the developments in terms of economic governance, where it seems that individualism is being put first above the collective interests of the European Union, threatening solidarity – a fundamental pillar in the European construction process – and thereby condemning the more vulnerable Member States to deeper economic crisis and increases in unemployment and social injustice. This model of economic governance also seems intent on withdrawing autonomy from the national social partners and imposing constraints on negotiated salary increases.

Ministers of Finance seem to have taken on a semi-sovereign role in the determination of European policies, which is unjustifiable. That role must be re-centred in the European Council of Heads of State, which integrates a broader range of sensitivities and concerns, especially of a social nature.

Over the coming years, the trade union movement faces important challenges and will have to deal with forces opposed to change: the majority of governments in the Member States are currently conservative-led.

One of the central challenges for the European Trade Union Confederation (ETUC) will be to ensure a genuine social dimension in the EU, demanding greater responsibilities for the European Commission, particularly compliance with what is laid down in the Treaty concerning EU functioning, which specifies that in all policies and interventions the Union must seek to attain a high level of employment, assure adequate social protection, struggle against social exclusion and develop high quality education and training.

The involvement of the ETUC in all EU policies, and not only in the social and employment fields, must be reinforced. Its presence at the European Parliament is becoming more and more important.

The inter-professional and sectoral social dialogue is of strategic importance, making it a priority for the ETUC. Currently, the model imposed by the EU penalises, in some domains, not only workers and employment, but also companies; it is crucial to take steps in this dialogue. To this end, one must demand of the European Commis-

sion that it truly take on the role foreseen in the Treaties, that of energising and promoting dialogue.

For UGT, another essential issue is the regulation of the financial markets, namely by imposing tariffs on speculative financial transactions and by eliminating or regulating tax havens. This is a subject with regard to which relations between the ETUC and the International Trade Union Confederation (ITUC) are very important.

The ETUC and the union movement in Europe as a whole cannot accept Europe as it is and the direction it is taking. We must fight for a Europe in which ordinary people do not have to adapt to the impositions of the economy

and financial markets: the economy must be redesigned so that it serves people's interests and promotes improvements in their well-being.

The trade union priority must be to return to defending full employment and decent jobs, but always on the basis of economic stability and strong and sustainable growth.

We need a stronger ETUC, with more support and delegation of responsibilities by the affiliated confederations, but also turning the coordination of national actions into a fundamental instrument for European action.

Jaroslav Zavadil

## Solidarity Remains Our Common Principle

CMKOS believes that the ETUC's role in the process of European integration is crucial. When the preparations for EU accession started in the Czech Republic, CMKOS was already an ETUC member. Thanks to the ETUC we were included in European structures at the highest level. The ETUC and its affiliates' willingness to act in that way is perhaps still not fully appreciated as a very important, even historic act. It represented a mutual commitment to jointly cultivate the European social model and was based upon the strong belief that together we would be able to build a social market economy and cope with accelerating globalisation. Our goal has been to proceed to emulate high European standards and to prove that we are equal partners and our ambition is to ensure that all workers receive fair wages, live and work in decent conditions and are not subject to a permanent threat from social dumping.

At the time of EU accession the Czech Republic was undergoing transformation into a market economy – which led to the creation of an extremely open economy – while globalisation was rapidly getting stronger. We think that these complicated problems were not always perceived clearly and not sufficiently understood by everybody. Our German neighbours, due to their experience with the integration of the former GDR, perhaps acted more sensibly, although not in every instance.

In the Czech Republic we worry about losing industrial and economic sovereignty (due to losses of domestic production, the closure even of successful companies owing to the expansion of transnational companies and the outflow of significant profits which are not reinvested »at home«), while the old EU member states fear the transfer of production and services to »cheaper« regions.

The crisis has exacerbated these concerns and they are being used to weaken trade unions and to strengthen approaches based on the principle of »charity begins at home«.

There is no doubt that, at present, trade unions are the main – and possibly the only – actor that can effectively counter business interests and repeated attacks against human, trade union and social rights, as well as against democracy. This fact has of course been realised by the other side, too!

Austerity measures – involving the destruction of what remains of the welfare state – burden mainly the middle class, which apparently has not yet been pauperised sufficiently to encourage it to organise in its own defence. At general elections, paradoxically, right-wing political parties seem to be getting stronger: they have been able to persuade the majority of the population that the blame for the crisis should be attributed not to the real

culprit – the speculative financial capital, which long ago cut itself from the real economy – but »lavish« welfare states.

Due to the weakening of the state and public services, privatisation and financial speculation, not to mention corruption scandals, people are losing confidence in institutions and collective action. All this has weakened solidarity, which is the basis of all social cohesion. Politicians who advocate neoliberal positions even argue that the welfare state based on solidarity is tantamount to profligacy and a vehicle for supporting freeloaders. Trade unions, however, cannot accept that economic growth (GDP) is an end in itself, independent of or even opposing the improvement of workers' living standards, or that high social standards impede economic growth.

The role of the ETUC is crucial as a platform for linking national and European trade union actions. As business becomes more and more globalised, trade unions have to follow suit and reinforce solidarity. A common EU labour market is emerging and thus it is essential to develop joined-up European strategies. In that framework the systematic coordination of trade union activities within multinational companies is necessary. A greater role should be played by branch trade union structures and cross-border cooperation.

Particularly important is regular contact with colleagues in other countries, and the possibility of consultations and cooperation on all current issues (pension reforms, impact of the crisis on unemployment, the future of the European trade union movement and so on). Discussions held within the ETUC help to reconcile its affiliates' views. Cooperation between its members is essential, especially in preparations for negotiations which are becoming more and more complicated. It can be expected that future negotiations will be more complex and difficult due to the impact of the economic crisis within an atmosphere of drastic »reforms« with negative consequences for workers.

Our aim is to maintain and cultivate the trade unions' ability to act on all levels: company (especially multinational), branch and national. Trade unions must not let themselves be dragged into a feeling of mutual endangerment; on the contrary, facing a common danger they must try to organise actions covering whole branches or with regard to multinationals. Trade union appeals must

be perceived not only by politicians, to whom they are frequently addressed, but also by employers, company owners and financiers.

All internationally recognised instruments must be used for preserving everything that has been achieved for the benefit of workers in Europe since the Second World War. In the EU we have to strengthen social dialogue and the role of fundamental (social) rights, accentuated by the inclusion of the Charter of Fundamental Rights in core European legislation. This is particularly significant in the Czech context, given that the government negotiated an opt-out, an action which is radically opposed by Czech trade unions. It is still possible to prevent the opt-out from becoming effective, as it must be confirmed on the occasion of a new ratification of the Treaties (for instance, at the next round of EU enlargement). CMKOS relies on the solidarity of its European colleagues in this respect. The role of the ETUC here is fundamental.

The crucial task facing us is to prevent attacks on democracy and increases in inequality and social exclusion, and to fight xenophobia.



## Further Reading

- Begg, Iain** (2011): *An EU tax. Overdue reform or federalist fantasy?* Berlin: Friedrich-Ebert-Stiftung; <http://library.fes.de/pdf-files/id/ipa/07832.pdf>
- Busch, Klaus** (2010): *European Economic Government and Wage Policy Coordination. The European Crisis Calls for Structural Reforms.* Berlin: Friedrich-Ebert-Stiftung; <http://library.fes.de/pdf-files/id/ipa/07232.pdf>
- Busch, Klaus and Hirschel, Dierk** (2011): *Europe at the Crossroads. Ways out of the Crisis,* Berlin: Friedrich-Ebert-Stiftung; <http://library.fes.de/pdf-files/id/ipa/08066.pdf>
- Collignon, Stefan** (2010): *Democratic Requirements for a European Economic Government.* Berlin: Friedrich-Ebert-Stiftung; <http://library.fes.de/pdf-files/id/ipa/07710.pdf>
- Hacker, Björn and Van Treeck, Till** (2010): *What influence for European Governance? The Reformed Stability and Growth Pact, the Europe 2020 Strategy and the "European Semester".* Berlin: Friedrich-Ebert-Stiftung; <http://library.fes.de/pdf-files/id/ipa/07724.pdf>
- Hassel, Anke and Pohlmann, Christoph** (2010): *Market and State in European Social Democracy. Progressive Perspectives on Developing a Social and Sustainable Market Model.* Berlin: Friedrich-Ebert-Stiftung; <http://library.fes.de/pdf-files/id/ipa/07338.pdf>
- Heise, Arne and Lierse, Hanna** (2011): *Budget Consolidation and the European Social Model. The Effect of European Austerity Programmes on Social Security Systems.* Berlin: Friedrich-Ebert-Stiftung; <http://library.fes.de/pdf-files/id/ipa/07891.pdf>
- Müller, Thorsten et al** (2010): *Global Union Federations and the Challenges of Globalisation.* Berlin: Friedrich-Ebert-Stiftung; <http://library.fes.de/pdf-files/id/ipa/07437.pdf>
- Platzer, Hans-Wolfgang** (2010): *The Europeanisation of the Trade Unions. Trade union policy challenges and practical options at the European level.* Berlin: Friedrich-Ebert-Stiftung; <http://library.fes.de/pdf-files/id/ipa/07395.pdf>
- Pusch, Toralf et al** (2011): *Wage Policy Coordination in the Eurozone. A Robust Concept for Greater Macroeconomic Stability.* Berlin: Friedrich-Ebert-Stiftung; <http://library.fes.de/pdf-files/id/ipa/08072.pdf>
- Sommer, Michael et al** (2010): *Business as Usual or a New Strategy for the Future? The European 2020 Strategy from the Perspective of German Trade Unions.* Berlin: Friedrich-Ebert-Stiftung; <http://library.fes.de/pdf-files/id/ipa/07295.pdf>
- Study Group Europe** (2010): *The Future of European Economic and Monetary Union.* Berlin: Friedrich-Ebert-Stiftung; <http://library.fes.de/pdf-files/id/ipa/07434.pdf>



### About the authors

**Annelie Buntenbach** is Member of the Executive Board of the Confederation of German Trade Unions (DGB).

**David Begg** is General Secretary of the Irish Congress of Trade Unions (ICTU).

**Erich Foglar** is President of the Austrian Trade Union Federation (ÖGB).

**Agnes Jongerius** is President of the Federation Dutch Labour Movement (FNV).

**Wanja Lundby-Wedin** is President of the Landsorganisationen i Sverige (LO).

**Yannis Panagopoulos** is President of the General Confederation of Greek Workers (GSEE).

**João Proença** is General Secretary of the General Union of Workers in Portugal (UGT).

**Jaroslav Zavadil** is President of the Bohemian-Moravian Confederation of Trade Unions (CMKOS).

### Imprint

Friedrich-Ebert-Stiftung  
International Policy Analysis  
Hiroshimastraße 28 | 10785 Berlin | Germany

Responsible:  
Dr Gero Maaß, Head, International Policy Analysis

Tel.: ++49-30-269-35-7745 | Fax: ++49-30-269-35-9248  
[www.fes.de/ipa](http://www.fes.de/ipa)

To order publications:  
[info.ipa@fes.de](mailto:info.ipa@fes.de)

International Policy Analysis (IPA) is the analysis unit of the International Dialogue department of the Friedrich-Ebert-Stiftung. In our publications and studies we address key topics of European and international politics, economics and society. Our aim is the development of policy recommendations and scenarios from a social democratic perspective.

This publication appears within the framework of the working line »International Economic Policy«, editor: Dr Björn Hacker, [bjoern.hacker@fes.de](mailto:bjoern.hacker@fes.de)

The views expressed in this publication are not necessarily those of the Friedrich-Ebert-Stiftung or of the organization for which the author works.

This publication is printed on paper from sustainable forestry.



ISBN 978-3-86872-727-2