



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

THE EUROPEAN 2020 STRATEGY

'Facing the crisis: Is European employment policy up to the challenge?'
2-3 March 2010
Madrid

With financial support of the European Commission



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I. The lessons of the past are there to be learned.

1. Europe cannot ignore that its economy has just gone through the deepest recession since the European Union was founded. The lessons from the Deep Recession need to be learned.
 - a. Above all, the recession indicates a ‘systems failure’ of the economic model that is being pursued. Over the past decade(s), policy was based on an unfounded belief in and an excessive reliance on market mechanisms. Irrespective whether public investments¹ or public services², financial markets, workers’ rights³, collective bargaining⁴ or social expenditure⁵ were concerned, the ‘market’ was supposed to take over and do things better. What happened instead was that market forces, left to their own devices and unchecked by public intervention and/or strong collective bargaining practice, produced high and rising inequalities, turned good jobs into precarious contracts, distributed the benefits of economic progress to a financial elite while at the same time leaving growth and job creation to rely on excessive financial risk taking, outright speculation and overblown asset bubbles.
 - b. Social Europe does not start with a job only. It is also, and importantly, about ‘good work’ and quality jobs paying fair and decent wages with strong workers’ rights and strong collective bargaining protecting. ‘Trickle-down’ strategies forcing workers to accept any kind of job do not work. They weaken the recovery, they increase the economy’s dependence on debt and bubble-led growth, they create ‘low innovation’ and ‘low productivity’ traps and they destroy the knowledge base of our society.
 - c. **Lesson 3: Europeanise the European Strategy.** Europe needs to be much more than just an internal marketplace. An internal market without strong social ‘rules of the game’ will force member states to try to get out of the jobs crisis at each others’ expense. This will lead to downward spirals in wages, labour market standards, social security, tax policy and environmental standards. The only real way forward for Europe is to take up an expanded role. A European framework that protects member states from ‘cut-throat’ competition in the European marketplace and European policies which mobilize the power of

¹ Stability pact outlawing public lending for public investment

² Liberalisation and privatisation of network industries

³ Social Policy Agenda becoming a ‘Social’ Agenda only

⁴ ECJ cases putting the economic freedoms of the internal market first and collective bargaining and collective action in second place.

⁵ Privatisation of pension systems, reforms to ‘make work pay’ by cutting benefits.

'Europe acting together' are crucial to fight the crisis and build Europe's long-term future.

II. Worse than 'business as usual'

2. However, with the first 'green shoots' of economic recovery having appeared, these lessons have already been forgotten. The voices claiming that the old structural reform agenda of liberalisation, privatisation and deregulation needs to be pursued even more vigorously have been getting much stronger. Several member states are now caught between irrational but massive financial market speculation on the one hand and the non willingness of the European Central Bank to make liquidity available for governments unless governments commit to undertake harsh fiscal consolidation measures and improve competitiveness. As a result, many governments are now cutting public sector wages and employment, social expenditure while making the labour market even more flexible than it already is, thereby also weakening the overall bargaining position of workers in trade unions, in the public as well in the private sector. This deflationary strategy, which was first experimented in 2009 in Latvia and Ireland, is now firmly taking roots in major parts of Europe.
3. This, again, has more to do with ideology (refusing the role of the 'state' for the economy; pushing through a liberal model of society in which labour is and capital is strong) than with serious economic analysis. Europe and the Euro Area as a whole do not have a macro economic savings deficit and public deficits are not crowding out private investment. Instead, public deficits are keeping the economy afloat despite the ongoing deleveraging of excessive private sector debt loads. As a consequence of these premature and brutal fiscal exit strategies, the European economy is now facing a prolonged and deepened slump and overall unemployment will be pushed well into two digit numbers.

III. Avoiding the European Slump

4. Europe needs to draft a second recovery plan in order to rise to the challenges facing it in the short term. This time round, the stimulus should not be weak or fragmented over just a few countries and across a host of different political measures, including ineffective tax reductions.

Instead, the stimulus needs to be strong and it should concentrate on a joint European investment effort.

5. The ETUC has called on the European Council and the European Commission to devise a European investment plan representing 1 % of annual GDP so as to create more and better jobs, and to promote innovation, research and sustainable development. This would help to create new 'green' sectors and at least 2 million new jobs (1 %).

IV A major overhaul of the European Employment Strategy

6. The European Guidelines on Employment likewise need to be reviewed. They should no longer focus on supply-side measures only, but should also concentrate on more numerous and real demand-side measures, on greater security and on better rights to transition for workers. With the return of mass unemployment, the problem is not a lack of supply of labour and workers but a massive lack of jobs.
7. To tackle the unemployment consequences of the jobs crisis, active labour market policies also need fundamental change. In order not to put the burden of being out of a job on the unemployed themselves, policy needs to refocus on the demand side of the labour market. Massive investment in policies that share and redistribute work, which create decent jobs in social services of public interest and which upgrade workers' skills while being unemployed, are urgent. The guidelines in the European Employment Strategy need to take this labour market demand side into account, while the Broad Economic Guidelines at the same time need to focus on creating an additional volume of jobs by focussing on public investment led demand and growth.

V. Social Europe : A fair labour market

- (i) Europe needs to build a 'fair' labour market. Stable and protected contracts, good wages with 'equal pay for equal work' and robust unemployment benefits will make sure that economic progress will be widely shared and is not reserved to the privileged. Moreover, 'quality jobs' and workers' rights are anything but an impediment to

labour market efficiency. On the contrary, they can be highly compatible with a dynamic economy. Workers will be much more willing to move into new jobs if the economy mainly consists of 'good jobs'. And the economy and the labour market only stand to gain when the different gender gaps (such as equal pay for female workers, culture of long work hours, ...) are addressed.

- (ii) Workers' security in the labour market needs to increase. The crisis has shown us that the European labour market is already very flexible but not so secure. The crisis has also shown us that there are other and better ways to respond to economic shocks than immediately firing workers by promoting internal flexicurity schemes such as short time working schemes and similar arrangements in which the state and/or the employers compensate the wage loss from a temporary reduction in working time.
- (iii) To build this 'fair' and secure labour market, Europe needs a new social policy program. The European Social Acquis which, according to the European Treaty is to be defended and promoted by the Commission, should be strengthened and enlarged, in particular by a clarification of the posting directive and workers information and consultation rights in terms of the European Private Company Statute. Moreover, workers in precarious contracts should also be entitled to 'transitional' rights' (right to training, improved access to social security benefits, right to move upwards into regular contracts...). The core principle of the European Social Acquis – that atypical jobs are to remain the exception and not the rule – should be enforced in a better and stronger way. In all of this, particular attention needs to go to closing the gender gaps in pay, in jobs and in career opportunities.
- (iv) Equality and non-discrimination in general are important pre-conditions for the development of inclusive and diverse labour markets. Measures and policies focussing on integration and social inclusion of workers from a migrant or ethnic minority background and acting against racism and xenophobia; recruiting and facilitating disabled workers and keeping older workers healthy and active in the workplace; promoting diverse workplaces and societies respectful of difference for instance when it comes to sexual orientation, religion or cultural background; these are all of key importance for the future of sustainable, innovative and productive labour markets.
- (v) A fair labour market also calls for the adoption of both a Social Progress Protocol, as proposed by the ETUC, giving priority to social rights and collective action, and a beefed-up Directive on the posting of workers. New

measures also need to be taken to improve the quality of the participation of workers and of industrial democracy.

- (vi) Finally, the ETUC stresses the fact that employment markets in Europe are extremely flexible but completely devoid of security, and precarious workers are the first affected. Through its development, precarious work has the effect of making all work across Europe fragile, and it is not consistent with the objective of protected mobility allowing changes to be ensured.
