



ETUC - input to the draft PES European election Manifesto on a New Social Europe

I. A key point of concern for the ETUC: Fair wages for European workers

The ETUC invites the PES to enlarge its approach and to fully address the wage issue in Europe in all its dimensions.

This means refusing:

- High and rising inequality and limitless executive pay rises.
- the continuing decline of the share of wages and salaries in national income
- Unfair restraints from the European Central Bank and Commission, whose efforts to intervene in collective bargaining are putting both the autonomy of collective bargaining as well as the credibility of those European institutions at stake.
- The gender pay gap, the fact that women are paid less for equal work or are pushed into jobs and sectors paying less.

Put differently, it means promoting and supporting practices and institutions of strong collective bargaining in which autonomous and representative trade unions can negotiate a fair deal for workers in Europe by acting as a counter veiling power against employers pitting workers out against each other. This means ensuring:

- A fair wage, in strict respect of the principle of ‘equal pay for equal work’
- A fair share of overall economic progress, with increased purchasing power and average real pay increases matching productivity gains
- Fair wages also for the lowest paid workers by setting wage floors which prevent workers undercutting each other.
- Genuine equal pay between the sexes.
- Greater equality with top earners and profits.

II. More detailed comments on the PES text

A. On the challenges

The PES text correctly identifies the challenges Europe is facing as well as the fears of many European workers of the negative effects of liberalisation and market integration. In particular, two issues important for the ETUC, the rising incidence of precarious employment as well as the redistribution from wages to profits are being highlighted. A third issue, “casino capitalism” or the dominance of (world) financial markets over the real economy is missing here (although taken up in part 3 of the PES text).

At the same time, there’s a certain imbalance in that sense that the positive trends in Europe are being ignored. This is a pity since these trends can and should also be used to give a message of hope ...and a message to convey the message to the European public that the doomsday prophets who are claiming that Europe can only be competitive if we give up on wages, worker rights, social protection, public services are totally wrong.

What positive trends and signals of hope could be given?

- Once corrected for population growth, long run growth performance in Europe is identical to the US one, despite the whole ‘media show’ of the ‘new economy’ and ICT revolution in the US.
- It’s Europe, not the US that has been a job machine over the past decade. We have created almost 20 millions of jobs.
- 60% of all world foreign investment is coming to Europe (both old and new) because Europe has purchasing power as well as a skilled work force.
- Europe performs much better on poverty and inequality than the US
- Thanks to social protection, redistributive tax policies and good educational systems, social mobility over the generations is much higher in Europe than in the US. The ‘American dream’ in reality is an ‘European dream’
- The share of low skilled workers in total labour force is falling in Europe and it is falling rapidly (from almost 40% in 1997 to 32% in 2005). The skills level of the European labour force is increasing rapidly.
- European labour markets are dynamic, they destroy and create as many jobs as the US does.

In short, Europe’s social dimension is a powerful force for productivity and this potential should be underlined and recognised more.

B. What's Europe got to do with it?

Surprisingly, this part is more of a descriptive nature than a political one. However, in simply describing what European policy is about, the impression is given that, in the end, Europe is not really to blame for any of the negative trends described in the preceding part (apart from some careful but technical wording on the ECB setting interest rates too high).

Instead, it would be better to tackle things head on, go to the heart of the matter and clearly say that 'Europe is part of the solution but it is being made part of the problem by those abusing the European level to organise downwards social competition.'

Indeed, one has to realise that many concepts and objectives that were once unambiguously 'progressive' are in danger of being hijacked or have already been hijacked by conservative and business interests. In this way, the Lisbon agenda (a social democratic innovation!) has been turned around from a strategy boosting competitiveness through social inclusion promoting a knowledge society into an old World Bank type of 'trickle down' strategy where (any kind of) competitiveness and (any kind of) jobs come first and social measures perhaps only later. In this way, a 'social moratorium' as requested by Business suddenly becomes the EU Social Agenda, or a Green book on labour law intended to address bogus self employment practices is used to try and promote a discussion on 'easy firing' for business.

In a similar way, the marketing arm of business is very efficient in using 'Orwellian' techniques and twisting the concepts around so that social policy suddenly becomes the most anti-social thing to do, see for example the flexicurity proposals from the Commission in which those who have a good job with some security suddenly become 'overprivileged' insiders causing precariousness of 'outsiders', with the responsibility of business in sharing the cost of the burden of adjustment suddenly and totally disappearing from the discussion.

Addressing these issues would allow the PES could to profile itself politically as the defender and promoter of a 'real Europe', a Europe that works for all and not a Europe that simply defends and promotes the cause of 'corporate welfare' or 'pampering business' (as for example J. Stiglitz likes to call it).

C. Some comments on the PES ideas

- We support the idea of the multi-annual growth and investment strategy and think that this matter will become even more pressing given the fact that the subprime crisis, along with the falling dollar, are unfolding itself and Europe and the ECB in particular is indulging itself in an attitude of 'laissez faire, laissez passer' (except of course for passing the buck to workers and asking for even more wage moderation ... and wage inequalities). The challenge should be turned around in an opportunity and Europe should manoeuvre to roam the excess of dollars and capital on international financial markets to invest in its own development...including the environmental/sustainable development challenge.
- Minimum wage as a proportion of national GDP (or national median wage?): Discussion inside ETUC on this is ongoing. And, as decided by the ETUC Seville congress, the ETUC is now engaged in continually exploring the scope for united campaigns at European level for common standards on minimum pay and income, and for collective bargaining strategies. Currently it may be that, for example, the differences in skills, productivity, living standards and union policies are too great for a campaign on common European-wide minimum wage mechanisms, but as circumstances change the ETUC must be ready to lead a debate on united campaigns. The ETUC Collective Bargaining Coordinating Committee will deepen its consideration of the issues involved, drawing on the work of a sub-committee composed of interested affiliates as well as on research to be undertaken by the ETUI-REHS. In practice a strategy of a European 'minimum income' may prove to be less difficult to arrive at, given the fact that the link with the process of collective bargaining and its autonomy is only indirect. In any case, it should be stressed that the 'wage issue' (a continuing falling share of wages in GDP) cannot be solved by minimum wages alone since minimum wages normally only affect a limited proportion of all workers.

D. Some proposals (further details in annex, ETUC resolution on 2008 revision of Lisbon guidelines)

- Re –appraisal of the role of the existing European Social Aquis in setting a level playing field for competition on the internal market. The European Social Aquis exists and provides balanced solutions to the questions of flexibility and security (in a way it is ‘flexi-security avant la lettre’) but the crucial question needs to be raised whether it is being implemented in a proper way. If part time work and fixed term work are leading to a rising trend of precarious work practices, then something must be wrong with the implementation of the Aquis. How is it possible for example that some countries, after the 1999 fixed term work agreement, have actually been prolonging the legal possibilities for having chains of fixed term work sometimes up to 6 years! How is it possible that in some countries the share of fixed term work has jumped up from 10% to 25%, much higher than the EU average. Given the fact that this concerns ‘hard law’ and not the ‘soft’ OMC method, Europe has a responsibility to follow up and act on this.
- Intensifying and enlarging the European Social Aquis (temporary agency directive with strict respect of the principle of equal pay, modernising the working time directive by ending the opt out and introducing a right to flexible working schemes, a right to switch into full time or part contracts and back, upwards revision of the parental leave directive).
- On the Open Method of Coordination and Lisbon: If we want Lisbon to work, then the side of business needs to get back into the equation, business also needs to take up its part of responsibilities instead of abusing the argument of global competition to increase profits. Basically, quality of work should be put central in the OMC method. The concept of ‘employability’ (which is important) should be matched by the concept of ‘workable jobs’: If workers are to raise their skills, to be mobile, to change jobs, then business needs to be prepared to offer good jobs, with decent pay, secure contracts, good working conditions. This is not the case at present, at present European business is underutilising the human capital of its workers and is employing many workers below their skills levels (Dublin foundation). This waste of human capital needs to stop and standards of work need to be raised.
- Social Europe can not be seen in isolation from Economic Europe. But in contradiction to conservative forces, who claim unemployment is a consequence of Social Europe, we see Economic Europe (or the lack of it) as the main problem causing unemployment and hence competitive downward pressure on welfare states and workers’ rights (‘beggar thy neighbour policies’ as a poor substitute for a common European economic policy answer).

- Here, the role of central bankers in Europe, in particular the ECB, needs to be addressed. The ECB needs to implement a symmetrical policy. It needs to fight inflationary overheating but it also needs to act and act on time and in a sufficient way when the economy is going threatening to go into a situation of economic 'under cooling'. The ECB as it is now is too focussed on the former but not on the latter. In the ETUC congress resolution, the ETUC is asking for a clearer mandate to promote jobs and growth for the ECB, as well as a more flexible price stability target to increase the leeway for monetary policy makers to support the economy.
- Unfortunately, the problem with the ECB goes even deeper. Using (the in itself well founded concern) for price stability as an alibi, the ECB is too often calling for wage moderation, for increasing inequalities, for the dismantling of the public sector, while at the same time shunning away from its responsibility to stabilise the business cycle when there is a downturn. Any acceleration of wage growth, any sign of a pick up in strength of collective bargaining, even from initially low levels of wage growth are orally condemned and 'sanctioned' by interest rate hikes. The ECB has been intervening actively in ongoing wage rounds (German 2007 bargaining round) as well as in wage policy issues (condemning 'unnecessary minimum wages' at the same moment of the introduction of a minimum wage in the postal sector in Germany). Europe needs a credible and independent central bank, and the ECB is in the process of jeopardising this credibility by creating the impression that it shares a common interest with business.

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17 December 2007