



Union reflections on the economic crisis



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Trade Unions and EU

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Foreword

The publication you hold in your hands is the first in a series of reports from the Swedish Trade Union Confederation (LO) on the theme 'Trade unions and the EU'.

During my years as President of the Swedish Trade Union Confederation, the day-to-day work of the unions has increasingly been characterised by the European cooperation. These days, not many union matters are exclusively on a national level. The situation of the Swedish labour force, both at work and in society, is affected by what is happening in the rest of the world. Consequently, our mission to protect and work in the best interests of our members is dependent on a transnational cooperation between trade unions.

In our international work, we fight for equal opportunities for every employee. However, our rights on the Swedish labour market must also be protected and reinforced. Trade union achievements and successes are not gained to last forever. The widely-known Laval case showed that we must continue to fight for our union rights and against forces that seek to turn wage-earners against each other.

If we are to progress in our union cooperation within the EU, we need to be united with our European colleagues. A fragmented organisation is a weak organisation. The European trade union organisations face many challenges but the prospects of succeeding are good because we all share the same beliefs and ethos.

The concept of a collective agreement and recognition of a common interest extend across all borders. The global trade union movement recognises that its own terms and conditions cannot be protected if others are forced to accept lower wages for their work.

We have different union traditions and strategies – but our objectives are the same. If we respect each other's differences and work for common solutions while at the same time recognising our diverse national characteristics, we will be able to grow stronger. It is a question of showing respect and being prepared to learn from each other.

This was particularly evident during my four years as President of the European Trade Union Confederation. During this period, I learned how important it is to be aware of our different national conditions. It is through an understanding of both mutual and national matters that we may find common European solutions that will strengthen the trade union movement overall.

In this publication, seven union leaders from Europe share their views on the European trade union work. What challenges lie ahead? How and on what issues should we cooperate?

These contributors have all been important to me in my work as an international trade unionist. I would therefore like to pass this publication on to my successor with a special request to continue building a relationship with these seven leaders as well as with other trade union leaders in Europe. Only together can we create conditions for a Europe that puts the citizen before market needs.

Wanja Lundby-Wedin

Union Reflections from Italy

***Anna Rea,
UIL Confederal Secretary***

We cannot speak of social Europe and Europe's future without briefly looking to what we have achieved, dreamt and contributed to build, though considering the differences characterizing our countries.

In Europe, particularly in the 1980s and 1990s, trade unions acted by united – albeit distant – blocs, with different models of industrial relations, Welfare State and collective bargaining, which were hard to integrate and channel into common proposals. Those models could not satisfy everybody and lead to progress without undermining better situations and treatments already conquered by some union organizations. Those were the years of the most significant social conquests, in the belief that European social cohesion and integration should have the same prospects for implementation as monetary and economic integration at first and political integration at a later stage. We built the so-called European social model, based on the mainstays of our common life, which were regarded also by government as unique and typical pillars of the European competitiveness and development model. Social dialogue, social security, collective bargaining, essential public services for everybody, as well as active policies to make quality jobs prevail.

Those united union blocs - namely the Nordic, German and Mediterranean ones, just to make a rough distinction which is currently outdated - exchanged their views, were put to test and reorganized at national level. Nevertheless, they were able to face the E.U. institutions as representative and united entities with economic and social policy proposals, which were the result of a mature debate developed within the ETUC, our European union organization, which has guided us over the years.

The E.U. enlargement – though constituting, after the E.U. construction, the most significant pathway to strengthen the European project – represented (in its various stages, particularly the one towards Eastern European countries) a complex phase for the solidity of the European social model, because the adjustment of those countries' economic and social systems was slow, fraught with obstacles, and not always supported with the same enthusiasm by the various governments which came to power in Europe. In the old and new Europe there were too many nationalistic trends, too many protectionist temptations, too many defensive policies that caused economic and social imbalances, which have increased over the last few years as a result of the crisis. It is precisely in these months, with the deterioration of the sovereign debt crisis and the related fiscal measures taken at European level, that there is the attempt to weaken the social model – an attempt also embodied by the severe statements made by ECB and IMF representatives on the fact that the social model we have experienced in Europe over the last decades is no longer sustainable and must be dismantled and replaced by a new one. Nevertheless, the European trade union movement has always been seen as a point of reference to reconcile the various and often diverging stances of the national union organizations; it has practically become a barrier to oppose the projects designed to dismantling social policies and equality in Europe.

UIL has always viewed the Nordic union movement as a significant model – albeit different from the Italian national reality and specificity, which could certainly not be transposed into our country. How could we conceive to have common strategies between Italy and Sweden? They were two radically different countries in terms of population, traditions, union models, workers' participation in

social life, economy, industrial development and currency: they were too different and distant, each of them proud of their own union model, which was successful at national level.

When UIL met Wanja Lundby-Wedin, the President of an important trade union in Europe – a determined and self-confident woman, but also attentive, curious and open-minded as only a woman can be – I am certain that the initial mutual scepticism was easily overcome by her readiness to know and understand different realities, with a view to strengthening our union activity in Europe and defining a united response to rise up to the challenges we had to face.

Certainly the bilateral relations between LO-S and UIL have stepped up and strengthened during the years of Wanja's leadership, in the mutual belief that only an in-depth knowledge of our respective union models could lead us to play a more incisive and effective role at European level, starting from collective bargaining, welfare and tax systems, but also union struggles, which have often seen us upholding different positions. Yet, the extraordinary credit which must be given to Wanja's leadership is the fact of having made different trade unions come together and be united in the goals to be pursued, without ever sparing energies and efforts to seek a compromise solution that is particularly hard to find in crisis situations such as the current one in which we are floundering.

In this publication for its Congress, LO-S has asked some of us to indicate Europe's future priorities and the choices we have to make in the medium and long term. It is an ambitious request, because the present is so challenging and problematic and the future seems to be really fraught with unknown factors.

Currently Europe is experiencing the deepest crisis ever since its birth. The world recession that sees Europe as the core of this crisis, which broke out as a financial crisis and subsequently turned into an economic, political and social crisis, can be an opportunity for implementing different policies promoting growth and equality. Nevertheless, we must have a long-term perspective if we really want to go well beyond the immediate impact of our decisions.

Certainly UIL believes in the need to have more Europe, more European cohesion and integration policies, going well beyond the Euro area's economic and monetary sphere and aiming at a real political union, with representative institutions and wider and recognized legislative powers. It is a E.U. vision requiring a transfer or delegation of powers to E.U. institutions on a wide range of matters which currently fall almost exclusively within national competence: suffice to think of economic, fiscal, social and particularly foreign policies.

We firmly believe that our future, the individual member States' future, cannot be more prosperous without thinking of policies and investment aimed at making Europe, as a whole, more competitive. Today's economic interdependence, which is pushing us to downward competition even between member States, will lead us – and, indeed, will force us - to share political, monetary, fiscal and also social policies. There are no alternatives to a more efficient European integration – hence, we think that it is more useful for trade unions to endeavour so as to make this integration more balanced and based on sound pillars shared by everybody and designed to combat social and wage dumping - the real threat that we are all called upon to eradicate.

UIL has always shared the idea of a federal, open, solidarity-based Europe, with real responsibilities shared by the member States. We know that this proposal is not supported by everybody but, over the last few years, the severe economic crisis which has hit most European countries has demonstra-

ted that only solidarity-based - albeit strict – choices can be a balanced response and an adequate and successful strategy in the long term. Clinging to the defence of national models may lead to positive results in the short term but, in the long run, it is a short-sighted choice since globalization and the extraordinary development of emerging economies require a new European competitive industrial model, capable of respecting labour dignity and quality, which we will be never able to ensure alone. The construction of a federal Europe would enable each member State to be autonomous on some matters pertaining to its citizens' lives, but also to share economy and policy choices with the other member States.

Trade unions should assist this process by looking more favourably to cross-border bargaining and new types of collective contracts taking into account some parameters shared at European level, such as the taxation level, social security contributions, workers' access to training, etc., not to levelling contracts down, but rather to enable workers – who in the future society will change jobs more frequently than we did in the past and will move inside the European Union more than we currently do – to enjoy the same level of protection within the European Union. Trade unions cannot have a wait-and-see attitude and be helpless faced with the labour market reforms currently being implemented in many European countries, which are based on economic and monetary logics and do not define a project for the future that cannot only be the desire to reconquer what we are currently losing. We need a new and different project and also trade unions must rethink their way to perform their tasks, probably by also changing the contractual models which have characterized the last few years. But we must mainly strengthen the role played by the ETUC, the union organization representing millions of workers and capable of enhancing the idea of a 'Europe of peoples and workers', a Europe turning social dialogue into the essential tool for growth and social justice and not an "optional", if not a trouble, for E.U. Commission's and Parliament's policies.

Only with strong and protagonist trade unions, can we all together – with all our differences- press ahead with the project of the founding Fathers of United Europe, the Europe of peace and wellbeing.

*Anna Rea, UIL Confederal Secretary
in charge of international policies
April 2012*

Whither Europe?

Looking ahead to the future of Social Europe

Bernadette Ségol
ETUC General Secretary

The invitation to contribute to this celebratory anthology of the LO prompted me to discuss my vision for a European future from a trade union perspective that takes into account matters dear to my heart and emphasizes Social Europe.

“Whither Europe?” is the pivotal question that I will attempt to address in my contribution. To explore the future, one must firstly assess the past and take stock of where we currently stand in Europe. In the extraordinary times we live in, this can be a taxing exercise for trade unionists particularly when the social dimension of Europe is at stake.

Europe is in the grip of a serious crisis which can jeopardize the future of the European project itself along with hard won achievements that defined the European social model. The worrisome signs were there before 2008: the disproportionate growth of the financial sector, the decline in GDP wage shares and the deepening inequalities. Over the last decades the falling share of growth channeled to real economy investment implied fewer jobs, less entrepreneurship and less innovation. Yet, the initial alarm was swiftly replaced by a “business as usual” complacency that chose to neglect the combined harmful potential of growing inequalities, dysfunctional financial systems and the receding real economy.

Indeed, reflecting on the recent past and the present can only cause concern. Persisting long-term unemployment, underemployment and the increasing numbers of the working poor acutely test social cohesion and expose the fundamental challenges we face in Europe today. Since spring 2011 some 1.6 million Europeans have joined the ranks of the unemployed, with the unemployment rate hitting a new high at 10.1 % in January 2012. The protracted qualitative and quantitative huge jobs deficit hurts families and communities and puts to waste the skills and the talents of our youth. Youth unemployment reached a historic high EU rate at 22.4%. The Commission’s first annual review of Employment and Social Developments in Europe shows how the economic crisis exacerbated Europe’s structural weaknesses such as income inequality: 115 million Europeans – 23 % of the EU population – face the risk of poverty or social exclusion. 60 percent of Europe’s wealth is held by just the 10 percent its population. Gender inequality too, dies hard: European women earn 16.4% less than men, according to figures released by the Commission to mark European Equal Pay Day.

The crisis is deeply scarring the economic and social fabric of Europe. The labour movement has been for years ringing bells of alarm while businesses and politicians ignored the destructive dynamics of a finance driven capitalism that configured economic and social development in Europe and in the world. Not only were the causal elements of the crisis disregarded but policy choices further destabilized an inherently crisis-prone system. Leaving the financial system largely unreformed under the pressure of financial markets, policy responses increasingly focus on fiscal consolidation through austerity. As the competitiveness mantra resonates across Europe, wage deflation has become the key instrument of adjustment. Measures that deplete public expenditure, remove subsidies, cap pensions and shrink social benefits spawn disillusionment and distrust among Europe’s citizens.

Policies of economic recession are coupled with social policy regression. Among others, extensive structural adjustment is under way across Europe to reduce alleged labour market “rigidities” by dismantling vital labour rights and contesting the collective institutional framework that is a core element of the European social model. Trade unions are unavoidably disempowered. Not only workers are asked to pay disproportionately for the crisis but they are also deprived of their crucial institutional capacity to address its dire consequences.

Against this background, the question “whither Europe?” takes on a demanding urgency as Europe appears to be forgoing Social Europe. “The European social model has already gone”, declared ECB President Mario Draghi, as the Bank announced a further €500 billion cheque to help the banks. The statement echoes Andrew Mellon, the US Treasury secretary who, as the USA plunged into depression, advised President Hoover to “liquidate labor” and cut down the “high costs of living and high living”. The “high living”, which Mr. Draghi particularly opposes, is the job security and the social safety nets of the European social model that primarily accounts for Europe’s outstanding achievements after the Second World War.

The idea that slashing government spending and depleting wages can actually create jobs and cure depressed economies may please Thatcherites but it remains deeply flawed. The doctrine that predominantly shaped policy options in Europe rests on equally flawed premises: the belief that markets can replace public policy in balancing economic, social and environmental needs. Yet, the outcomes, economic and social, indicate stark failure. Austerity erodes recovery prospects and amplifies the risk for a protracted crisis in Europe with grave economic and social consequences. The recessionary impact is most acutely felt across the heavily indebted countries of the European periphery. The failure to provide sustainable solutions is confirmed by the latest OECD Economic Outlook that warns about collapsing growth with the Eurozone and UK economies trapped in a recessionary “muddling through” scenario.

On what grounds then are we asked to give up Europe’s distinguished record of economic and social achievement that has really set our continent apart in a globalised world? What justification can failed policies provide to the proposed sacrifice of Social Europe on the altar of competitiveness?

The European trade unions believe that Europe does not need further experiments at the expense of society with ideas that have repeatedly failed. For the ETUC and its affiliated organisations Social Europe is not a liability but an inalienable asset for the future of Europe.

The current state of play imposes its own imperatives. As the ETUC General Secretary, I am guided by my strong conviction that we should reach well beyond than merely demonising speculator greed and casino capitalism. Under this prism, our response to austerity is defined by the imperative to offer credible alternatives. The alternative advanced by the ETUC proposal for a new social compact sets out the way forward for Europe and puts the accent on a strong social dimension in the economic union through a genuine recovery project aimed at employment and sustainable growth.

We urge for wage increases to boost demand and offset inequality, for investment in innovation, for greener quality jobs and for better public services. Social safety nets and solidarity are indispensable to this vision because socially just economies are better equipped to resist shocks and competition. Social partnership and dialogue are just as essential to foster and motivate effective balanced policies. For ailing public accounts the ETUC advocates a longer term approach that encompasses far-reaching action by the ECB, mutual support in the form of Eurobonds, a financial transaction tax, fair taxation, combating tax evasion and tax fraud, together with the elimination of tax havens.

ETUC policies and campaigns aim at a socially fair, economically viable and environmentally sustainable Europe. This vision is not Utopian. The Nordic experience demonstrates that, even when a global crisis rages, it is possible to maintain a social model that delivers both efficiency and equity, where efficiency is defined by the capacity to generate high rates of employment and growth and equity signifies high norms of social protection and a relatively low risk of poverty. The working men and women in Europe are entitled to a sustainable social model. They are entitled to a future that is anchored in the respect of fundamental social rights and in democracy. In this respect, I feel it is only appropriate to conclude by recalling the words of Olof Palme: “The rights of democracy are not reserved for a select group within society; they are the rights of all the people.”

Bernadette Ségol
ETUC General Secretary
April 2012

More Europe, but also another Europe

Cándido Méndez

Secretary General of the UGT-Spain

I. The future of European trade unionism and of the objectives that it pursues currently depends on the direction the European Union (EU) takes from the crossroads at which it currently finds itself. Everything is being gambled on the survival of the euro, whose collapse would shatter the unity of the single European market and would return the EU to a free-exchange area, therefore losing its ability to play an important role in the new world order currently being established. Trade unionism would be deprived of the framework of institutions, regulations and common supranational policies that allow it to exert influence in a globalised world in which financial capitalism is hegemonic.

The crisis we are experiencing has not been caused by public deficits but by the private debt (households, businesses, financial institutions) that the public purse has to a large extent been forced to assume; lack of equilibrium in balances of payments; and differences in competitiveness and growth in the various countries. The neo-liberal media are being successful in their efforts to change the explanation of the causes of the crisis, insisting that deficit and debt was the cardinal sin, despite the fact that in 2007 we only had a 0.7% deficit and 66% of debt in the EU.

The asymmetrical creation of the Economic and Monetary Union only served to accentuate these processes. At first, the sharp fall in interest rates stimulated property bubbles and private borrowing in several EU countries, including Spain, which was accompanied by an exponential increase in dependence on loans from banks in other countries, such as Germany. Current account deficits also increased. It was said at the time that this did not matter because we were like a province within the EU and the risk was therefore being assumed by the EU as a whole. Later, this proved not to be the case. Also, the single currency, which is subject to a fixed exchange rate system, has served only to increase the polarisation between the most advanced industrialised countries and the least advanced and has also failed to harmonise rates of inflation, as was the claim. As a result, when things began to deteriorate in 2008, a situation arose in which there were large balance of payment surpluses in northern European countries and large balance of payment deficits in the countries of southern Europe.

Interest rates have also not been harmonised. The rates affecting ten-year debt are below 2% in Germany and over 6% in Spain. This is because the euro is an incomplete currency which lacks a real Central Bank to serve it such as is the case, for example, in the United States, Japan, Sweden or the United Kingdom.

To overcome this crisis we need, firstly, a change of policy by the EU Council and the European Central Bank (ECB), i.e. Germany. The policy of austerity and structural reform has failed and all it is succeeding in doing is increasing unemployment, impoverishing what are referred to as the "peripheral" countries and dismantling the pillars of welfare states.

This change must involve two main priorities: 1) a policy of growth to reduce unemployment to the level it was at when the crisis began; 2) to ensure sufficiently low interest rates on public debt to achieve a reduction in the imbalances in public finances within a ten-year horizon.

This requires a package of measures that the ETUC has been calling for repeatedly for several years. They include investment by the European Investment Bank, the issue of eurobonds, the imposition of financial transactions, a tax on CO2 emissions and the reactivation of structural funds. These would help achieve a European budget that was truly federal in nature using countries' own resources based on contributions from citizens and not from States. This would provide an incentive for internal demand in Europe.

However, doing away with the asymmetrical structure of the Economic and Monetary Union (EMU) requires a qualitative leap in EU political integration to ensure solidarity in overcoming the crisis. A federal union that, on the one hand, would replace "government by the rules" – in monetary matters and matters concerning competition and budgetary prudence – by a political government which, besides the democratic coordination and supervision of the budgetary policies of Member States, would institute common policies in the sphere of energy, industrial development, innovation, infrastructure, defence and foreign policy.

This would also be accompanied by economic federalism to balance the economic and monetary union. The concept that has been enshrined in the "Treaty on Stability, Coordination and Governance in the EMU", which aims to perpetuate the asymmetry of a European economic model that favours a small number of "virtuous countries", centred on Germany, is a distorted caricature of economic federalism. The federalism that is required to resolve the crisis must be based on solidarity. It should also be structured on four inseparable pillars: to make the euro a complete currency by changing the ECB's mandate; to establish cooperative economic governance that is not merely coercive; to mutualise public debt in an ambitious financial market of communal bonds (eurobonds); and to devise a New Deal which is both social and ecological.

II. The trade-union movement has made important gains in recent decades. These include, firstly, the unification of its various strands – Social Democrat, Christian Democrat, Communist – into a single organisation. The construction of the European Economic Community in the late fifties and the changes in capitalism from the late sixties and early seventies onwards had created a favourable climate for this. The fall of the Berlin Wall in 1989 and the subsequent integration into the European Union of the countries of central and eastern Europe ended up creating the conditions for the incorporation of virtually all trade-union organisations into the European Trade Union Confederation (ETUC).

This European regional example of trade-union unification no doubt played a part in the creation in November 2006 of the International Trade Union Confederation (ITUC), which was formed by the integration of the International Confederation of Free Trade Unions (ICFTU), the World Confederation of Labour (WCL) and a group of organisations with no international affiliation. The unification of the overwhelming majority of world trade unionism was thus achieved.

The ETUC has, in turn, contributed over three decades to the formulation – through Congresses and resolutions by its Executive Committee or its Management Committee – of jointly-held positions, particularly with regard to European matters and in dialogue between the organisation and European institutions.

European trade unionism has also played its part in the advancement of European social policy. Examples of this include the implementation of the European Social Action Programme from 1974 onwards; the creation of European Social Dialogue in 1985; the adoption of the Charter of Fundamental Rights of Workers in 1989, with opposition from the United Kingdom; the inclusion in the 1992

Maastricht Treaty of a Social Protocol that opened up the possibility that agreements between European social partners could become EU directives or that such agreements could be transposed to the national level through the normal channels of social dialogue in each EU State; the introduction of a chapter on employment in the 1997 Treaty of Amsterdam.

We should also emphasise the decisive input by trade-unionism in the development of certain policies, such as health and safety, equality between men and women, coordination and portability of pension rights linked to freedom of movement of workers in the EU, policies to combat poverty and social exclusion or policies on migration and asylum from the 1999 European Council meeting at Tampere onwards. This is not to mention the battles to establish a directive on European Works Councils, established in 1994, or for the directive on the European Company to see the light of day in 2001. In the opposing sense, trade unionism has also been influential in avoiding, in cooperation with the European Parliament, the adoption of directives on working time or freedom to provide services in the EU.

Nevertheless, it must be admitted that we have not made sufficient progress with regard to collective bargaining, which is still confined to the current articles 154 and 155 of the TFEU. Inter-sector negotiations have given rise to a small number of agreements that have been converted to directives or that have been channelled through the social partners. Since the 1990s, the legislative initiatives of the European Commission have been reduced to a minimum. This explains why no agreement has been converted to a Community directive since 1992. Also, agreements transposed through the channels normally used by the social partners have taken an extremely heterogeneous form. Also, barely over 2% of the contents of sector agreements have been transposed in a manner that is binding on national areas.

Despite the fact that in recent years the ETUC has been increasingly successful in achieving demonstrations and mobilising a number of single events at European level, we have not yet been successful in turning Europe into a conflict zone. This could occur either due to a restructuring that affects, at the same time, a company established in a number of different countries or as a response to a European policy that takes the form of an attack on the European social model, as is the case with policies currently being implemented in several countries, promoted by European institutions, using the crisis as an excuse.

To sum up, I consider that, within the new, more asymmetric architecture of the EU, it is necessary for there to be a Social Union alongside the Economic and Monetary Union. This Social Union should involve, among other things:

- A European framework for collective bargaining
- Legislation that respects fundamental trade-union rights, such as the right to strike, in the transnational movement of workers and in relation to freedom of establishment and freedom to provide services
- The incorporation of the Social Progress Clause demanded by the ETUC into the Treaty on the Functioning of the European Union
- The establishment of minimum wages in EU countries based on a European reference in terms of a percentage of the average wage in each country.
- The adoption of a European directive on corporate restructuring in the context of various European countries
- Defence of the policy of full employment, including the recovery of the policy of reduction in working hours, among other measures, for that purpose

- Defence of a low-carbon industrial policy as a way out of the crisis and to achieve growth in employment.
- The fight against inequality in the European Union
- Negotiations with European social partners as part of European Social Dialogue, preceded by the structural reforms that the EU is recommending/imposing on Member States with regard to employment legislation, collective bargaining, remuneration of public officials, pension reform, access to health benefits. Matters which, furthermore, do not fall within the sole jurisdiction of the European Union, or which simply do not fall within the jurisdiction of the European Union.

At this juncture we need, on the one hand, "more Europe" in matters of citizenship or foreign policy for example and, on the other, "another Europe" in terms of economic, fiscal, monetary, labour and social policy and in institutional architecture.

I am sure that, as always, Nordic trade unionism in general and the Swedish LO in particular, for which Wanja is such a widely admired spokesperson in European trade unionism as a whole, will serve as a reference point for achieving a more balanced EU, with a social model that can continue to set a good example to the rest of the world.

Cándido Méndez
Secretary General of the UGT-Spain
April 2012

The future of Europe

François Chérèque
Secretary general
French Democratic Confederation of Labour

Since 2007, the world has been struggling with one of the worst economic crises in history. Europe has been hit hard by this crisis, and the economic and social consequences are greatly affecting its development model. In this context, thinking about the future of Europe implies thinking about the challenges it must overcome, and about how it might solve them.

Integrating the generational challenge to sustain the social model

In the world of tomorrow, Europe will have to ensure its own economic development while creating both wealth and solidarity. It will also need to take into account the environmental issues and the new geopolitical balances born of global governance. The challenges are numerous.

Investment in education and training is essential if we are to prepare for the future, to ensure that tomorrow's economy is competitive, conducive to innovation, and capable of creating jobs. These efforts must of course be undertaken at the national level. But we are also in need of European coordination.

Europe's future must be built around its youth. To support our younger generation, we need to promote mobility across the continent, to facilitate exchange and language learning. To ensure young people feel at home in Europe and to foster cultural diversity, the Europe of tomorrow must be more dynamic.

We must not burden our future generations with a debt they are not responsible for, and we must ensure the sustainability of the social protection system. In our fight against inequalities, we must pay particular attention to those affecting young people, for example equal access to education and vocational training, the fight against academic failure, equal access to employment, and the fight against insecurity.

The financing of social protection will be a major challenge for Europe because of its demographic trends. The continued ageing of the European population is set to carry on over the long term. It is leading to an increase in healthcare costs that is far higher than the rate of economic growth, and it is upsetting the balance of pension schemes. While it is true that these are national schemes (and very varied), the problem of long-term funding is much the same everywhere.

Concerning the reform of our social protection schemes, which will undoubtedly be undertaken in all countries, we must work towards convergence given the mobility of workers across Europe, at least in terms of rights. Within the framework of the single market and to avoid social dumping, convergence of funding mechanisms will also be necessary. Social dialogue plays a central role in this area, both at national and European levels.

The issue of public service sustainability raises similar problems to those posed by our social protection systems. Reforms will be needed to secure funding and adapt them to meet the needs of populations (which are evolving) while maintaining their quality and access for all. This will raise the question of

resources, and in particular the impact on taxation. While it is true that public services are national concerns, reforms need to be coordinated at European level to avoid fiscal dumping. We also need to promote the convergence of taxation systems.

Non-profit activities, particularly at the social level, are part of the European social model. They must also be sustained in completing the single market within the framework of an economic model involving not only the public but also the for-profit and not-for-profit private sectors, drawing if necessary on public-private partnerships.

No more competition between Member States

Another major challenge concerns inequalities, in particular inequalities between Member States. In the context of a developing single market, inequalities in business competitiveness and income, and differences in social protection, labour rights and taxation regulations carry risks of social and fiscal dumping. To secure Europe's future, we must therefore strive for social and fiscal convergence reflecting the different starting positions of the various European countries and regions.

At the fiscal level, a high priority must be placed on harmonising corporate tax bases, defining a minimum rate, and increasing consistency between tax systems. In the long term, taxation must become a tool for solidarity, aiding the development of Europe's poorer regions.

At the social level, and to avoid "downward harmonisation", we must strengthen the European social base by establishing minimum guarantees destined to be gradually increased as the economic conditions improve. Social dialogue must play a central role here: it is up to the social partners, with the help of governments, to define these minimum standards both at European and national level, and to create synergies between the two.

Inequalities between European countries are also creating trade imbalances within the Union, some countries being in surplus and some in deficit. These accumulating deficits will eventually swell the debt of the countries concerned, especially if no fiscal policy coordination is introduced to break the vicious cycle of imbalance. This is one of the main causes of the crisis now affecting the euro zone, and it is felt throughout the Union. Tomorrow's Europe is therefore in great need of strong economic governance to coordinate economic policies capable of correcting imbalances in competitiveness and budget control. It is essential that we pool part of the public debt and that we increase the role of the ECB within a context of strengthened governance.

At the heart of the fight against inequalities lies the principle of solidarity. Solidarity at European level is not just a moral duty. It is also an obligation for countries sharing a common destiny – that of the European Union – to prevent the misfortune of the poor bringing everyone down.

Europe and the world

The main external challenge for Europe is the rise of the emerging countries. The major European countries along with the United States and Japan have for a long time asserted a Western leadership that has dominated the world. If taken as a whole, the European Union is the leading power in today's world. But European countries continue to want to go it alone on the international stage, despite the fact that other countries from other continents – such as China, India and Brazil – will be at the front of this same stage tomorrow. If it still wants to play a leading role in regulating globalisation, Europe must become stronger and speak with one voice.

Because it has a fundamental role to play. Although not a model to be reproduced as is, it is a benchmark in many areas:

- It has successfully achieved unity without violence and by solving conflicts
- It has built a unique social model that, despite current difficulties, provides its vulnerable populations with better protection than elsewhere, and in which social dialogue still plays a central role
- It is at the forefront of the fight for environmental protection

By overcoming challenges and enhancing its governance structure, the European Union can bring its values to the international scene and engage in the combats essential for its future and that of the planet:

- Impose fairer world trade by introducing social and environmental standards
- Secure its access to natural resources (raw materials and energy) while promoting a development model more economical of these resources
- Place global finance at the service of job creation and sustainable development

However, to carry weight, Europe must also remain an important economic power. For this, it must improve its overall competitiveness. Although systems such as a carbon tax at EU borders or the financing of a social protection system that is less of a burden on labour can be useful, it would be foolish to believe that we can take shelter behind our borders. Europe needs the world and the world needs Europe.

Economic competitiveness is achieved through not only technical but also social innovation. Economic restructuring will continue. It is a global phenomenon and affects Europe. Anticipating change, secure job prospects, trade union action in multinational companies and European works councils... the European trade union movement must improve its action capacity in these areas.

Europe and its neighbours

Europe is not new to migration, be it internal or from neighbouring countries. Europeans have also migrated outside their territory. These migrations have enriched the European culture and contributed to building its economy. Today the south of the Mediterranean is actively pursuing democracy, as Eastern Europe did in the 90s, and we must assist these countries with their economic and democratic development. Not only out of moral duty, but also because it is in our interest.

Improving economic and cultural cohesion between the EU and its neighbours to the east and south will strengthen its position in the world and help disseminate values of peace and democracy and respect for human, economic and social rights.

Rather than looking inwards and locking our borders we should be looking outwards, as this will promote dialogue among civilisations. Integrating Turkey into the European Union would strengthen its economic power while building a bridge with countries having predominantly Muslim populations. Such a bridge is essential for peace, starting with the Middle East, and useful for global prosperity.

The fight against xenophobia, against the stigmatisation of certain religions, and against all forms of discrimination begins in our businesses and our cities, and helps Europe in its combat.

Reconciling workers with Europe

Faced with these challenges, which affect us all, and with the growing interdependence of countries, individuals and businesses, more and more European citizens are blaming Europe for their difficulties. To stop the European political project from crumbling, it needs to find a second wind and be given a new meaning. It will take much more than the Europe 2020 strategy to achieve this. Europe needs both the political and financial means to take action.

It is by implementing common policies that we will develop a competitive and sustainable economy capable of creating jobs, notably involving:

- The transition to a low carbon economy, promoting sustainable development
- An energy policy combining security of supply, renewable energy development and energy conservation
- The continuation of the agricultural policy to move towards sustainable agriculture
- A territorial development policy to restore the balance between Europe's regions, including a social cohesion policy securing solidarity with the disadvantaged
- A European network policy for sustainable transport, energy and communications
- A policy on education, research, development and innovation to ensure cooperation between education systems (skills recognition), universities, research centres, companies, etc.

For this, we need a European budget commensurate with our ambitions, well beyond the woefully insufficient 1% of GDP. This budget must be self-financed by the Union in order to put an end to bargaining between Member States and “return on investment” calculations. We also need a European borrowing capacity (project bonds).

The European trade union movement must be ambitious in order to influence the political decisions of European institutions, while also acting autonomously through the negotiation of border agreements.

To strengthen the trade union movement, we must first reach out to new populations in each Member State, for example the younger generation, workers of small businesses, those in precarious jobs, subcontractors, etc. At the European level, we must strengthen inter-branch and sectoral social dialogue. Social dialogue must be a means for implementing industrial, economic and social strategies at the sectoral level and within a global framework.

To achieve this, we must first strengthen the action capacity of the European trade union movement. As trade unionists in our Member States and in our professional fields, it is our responsibility to ensure that the ETUC and the European trade union federations become effective tools for trade union proposals and action that actively involve members, and do not simply serve as coordination bodies.

It is our belief that in order to build the Europe of tomorrow, we must first build the European trade union movement of tomorrow.

François Chérèque
Secretary general
French Democratic Confederation of Labour
April 2012

Trade Unions and the Future of Social Europe

Harri Taliga

President of the Estonian Trade Union Confederation

The European Union has been the leading light in the formation and development of the modern social security system. Through their long, sustained and strenuous fight, the European trade unions have made a vital contribution to setting crucial minimum standards for decent work.

These invaluable social achievements cannot be allowed to fall victim to the indiscriminate austerity policies that we have witnessed in recent times. Despite the mantra of cutting social security in the crisis-stricken countries, the past few years have clearly demonstrated that those countries where there is a sufficient social security net supporting sustainable budgetary policy have proved able to cope better with the effects of global financial and economic crisis.

Joining the European Union in 2004 gave Estonia, like many other Central and Eastern European member states, a considerable impetus towards development and opened up lots of new opportunities. During the accession process Estonian trade unions were greatly helped by their colleagues from Sweden and the other Nordic countries. If we are to name one example of such assistance, it must be the long-term cooperation project with the Swedish LO and TCO for training trade union shop stewards and activists. For the confederation the most valuable support came in the area of labour relations, on how to transpose and implement the EU *acquis* from a practical point of view.

The biggest challenge for the trade unions from the member states that joined the European Union during the last decade is how to turn these countries from the consumers of welfare into its producers. In economic terms this means producing goods and services with a greater added value, moving upwards in the global value creation chain. This progression necessarily brings with it not only economic reforms but also reforms in the labour market and in labour relations. The need to protect workers' rights in such times of rapid reform and how best to do it also drives trade unions to look for new ways of representing and protecting their members. For Estonia the most natural place to look for innovative solutions is among our Nordic neighbours.

How quickly and how successfully the values and principles of Social Europe are adopted also in these newer member states depends largely on the efforts of their trade unions in asserting their views in the spheres of labour relations, employment and social issues. It is no secret that Central and Eastern European entrepreneurs and employers have on many occasions been characterised by understandings and attitudes that have been consigned to the dustbin of history long ago in countries with a longer experience of the market economy and political democracy.

At the same time we can clearly see in Europe a tendency to subject social values and the rights of individuals to the mantra of economic freedom and market competition. The vital interest of trade unions, on the other hand, is to strengthen Social Europe, extending spread of the principles of decent work and increasing the role of tripartite social partnership and of collective agreements.

Although economic growth influences the development of the whole of society, no-one knows better than trade unions that economic growth is not on its own sufficient to guarantee a decent life and

the development of a fairer society. Only successful wage negotiations and effective collective agreements can guarantee workers their just share of society's wealth, while at the same time helping to end the phenomenon of the working poor and reduce the gender pay gap.

The most effective way for trade unions to achieve these aims is through continuous, targeted efforts in terms of organising, which will enable them to retain existing members and to recruit new ones, and to increase their capacity to take actions. International trade union cooperation has been an important aspect in the European Union and undoubtedly will continue to play a very important role also in the future. However, as the European Union grows in size, closer regional cooperation, including that in the Baltic Sea Region, will become ever more important for developing and furthering a just labour market characterised by fair working conditions and decent living conditions for all.

Harri Taliga

President of the Estonian Trade Union Confederation

April 2012

We need to be effective

Jan Guz
President, OPZZ

It is difficult to imagine modern Europe without its citizens' democratic influence, engagement in social movements and trade unions. Neo-liberal economy and unchecked free market aim to eliminate social security systems, trade unions, in the name of maximising profits; they disdain workers. As union members, we keep hearing about our harmful interference into the freedom of running a business, which hinders the 'invisible hand of the market'. Our social sensitivity and highlighting of balance between the economy and the social sphere are treated as harmful sentimentalism. At the same time, attention is being brought to trade unions' unnecessary engagement in politics. But what is union activism if not politics? In politics, defined as the entire arena of conflict between various social interests, there is a place for trade unions as well.

Effectiveness means trade unions taking charge of the language of public debate, which is dominated by neo-liberal newspeak. To the capital and its spokespeople, a worker is a labour cost, privatisation of public services is the only effective remedy for their problems, and worker participation – a sick notion from a bygone era, making efficient management of enterprise impossible.

Danger lies in the fact that the neo-liberal language is already being used by a significant portion of society. It is time to fight for the language of public debate. It is time to fight for proper discourse in Europe, as well. Enough of euphemisms and metaphors from trade unions. We cannot be afraid of speaking plainly and clearly. Sometimes it is necessary to call processes and phenomena as we see them. Such language must also encompass behaviours at the European level. Greece and Italy being forced by the so-called Troika to make anti-social decisions is nothing other than ruling over the citizens' heads.

Effective action in order to improve our image is crucial to our continued survival. We have to understand that the twentieth century has passed. I therefore partly agree with Manuel Castells, who asserts we have entered an era of 'information society'. Due mainly to the changes in the structure of the working class, we cannot continue to use current methods of mobilising it. We have to reformulate them or add new approaches.

Let us remember that the Fordist model of labour organisation implied a traditional approach to unionising. It assumed institutionalised collective bargaining, relative predictability of social processes and homogeneity of the working class, based mostly on industrial mass production workers. The modern pursuit of flexibility in the job market has resulted in a flood of unstable employment, 'rubbish' contracts, civil code contracts and self-employment. Often-times, those who work on such contracts are forced to do so. The result is a lack of union protection, low pension contributions and no holiday entitlement. What should be an exception is becoming the norm. This bears heavily on trade unions and their ability to organise new members, especially young people who are most often subject to such flimsy contracts. Let us remember that there is strength in numbers. Trade unions must therefore be more numerous, and that means focus on strengthening strategies targeted towards increasing union membership.

We should canvass for the right to guarantee the ability to create and join trade unions, as well as the right to protection provided by law or collective bargaining, to all workers. At the European level the challenge is to harmonise the definition of 'worker' in legal texts. The ability to profit from the protection of trade unions should be guaranteed to all persons in work, regardless of the form of employment.

Changes taking place at the global scale and convergence – in the realm of ideology as well as others – are resulting in the emergence of a new type of labour organisation, which in my opinion trade unions are struggling to understand and respond to effectively. In my view, we need to intensify our activities in two key areas.

First of all, we should be more open to organised civil society. Trade unions should be ever more active in searching for allies amongst e.g. the 'Indignants' [Occupy] movement, anti-war or anti-fascist activists, those opposing the ACTA legislation and groups defined on the basis of their identity (such as feminists, national or ethnic minorities, LGBT). These activities should extend to the international level, as well. Secondly, we should actively participate in virtual social media networks, which are often the first step to 'real life' action. The new, post-industrial trade union cannot escape the telecommunications changes that are influencing society, the types of relationships within it and the methods of searching for, processing and verifying information. Whether we become trade unions 2.0 may well define our identity and presence in the social consciousness in the next decade.

In this context, it is high time to focus on young people to a much larger extent than before. I know it is difficult, but there are many young people who identify with trade unions, who see the point in union activism and want to be active within unions. We have to create the right environment for them to work and develop in. All levels of union leadership should support the creation of structures for young union members and facilitate their function. Their criticism should not be taken as an attack, but rather received with understanding, as input into trade union improvement. Trade unions will be weak if we do not prepare them, do not invest them with the right skill sets, communication skills, or the ability to mobilise. Work on our future has to start right now.

The global economy is facing many challenges. One of these is the move towards so-called green economy. It is a difficult issue for a country such as Poland, as well as Polish trade unions. In our context this project is really relevant to just one large region, Silesia – with centuries of tradition in black coal mining. For Silesia, its citizens, workers and their families, the move towards 'green economy' can mean life or death, even in the existential sense.

The move towards so-called green economy must therefore take into account the rule of balance and avoiding inequalities. The transformation in Poland since 1989 has been paid for in suffering of many thousands of workers and their families. More short-sighted changes, mapped out by a narrow point of view, cannot be allowed to happen. European solidarity must mean that, in the difficult and costly process of transformation, some countries will not be left to their own devices, abandoned with their social problems. Solidarity and support must mean common responsibility for all European countries and all European workers, regardless of the sector they work in – 'black' or 'green'.

We have to finally answer the question of what we understand by union solidarity. Relocation, in the sense of moving capital from one place to another, or even the threat of it, is a strategy used by employers. They aim to turn workers against each other. We must absolutely not allow their 'divide and conquer' strategy to succeed! Our strength is in unity!

For European politicians, the key solution to current problems is new economy management, fiscal stimulus or the Euro-Plus Pact. The problem is that this is a rescue strategy only for those who secure their capital. Such agreements are dangerous to social Europe. The tendency towards reducing and freezing wages in the long term causes pressure to lower work standards and come down to the lowest common denominator. Tightening belts does not lead to balanced socio-economic development, which is a truth business is still failing to grasp. Therefore, it is time to coordinate our unionist, alternative policy for wages, including minimum wages, taxation (financial transaction tax, standardisation of corporation tax), creation of new, quality jobs, and protection of public services.

European solidarity amongst trade unions also means the continuation of common pan-European actions. We cannot forget about the coordination of supportive activities within international enterprises and industries. At those levels, capital is also using the 'divide and conquer' rule. The danger to our unity is great.

The role of European social dialogue and our influence over decisions made within European institutions must increase. The dialogue needs to remain autonomous, but we have to redouble our efforts to make its effects permanent. More framework agreements should be transformed into EU directives. It would guarantee good implementation in each member state.

We are facing many challenges which the current generation of union activists never had to surmount. The union movement should be able to show a goal and direction, to put across its vision, to be competent. We have ambitious goals and it is up to us to fulfil them. Our main goal is a strong social Europe!

*Jan Guz
President, OPZZ
April 2012*

Organize and coordinate – for equity and jobs

Roar Flåthen

President of LO-Norway

Wanja Lundby-Wedin has been an excellent president for ETUC. Now we have to manage further challenge without her. We will continue her work and bring with us all she has achieved at the European level.

Faced with the present problems of Europe, the goals for trade union activity and economic policy still must be:

- Full employment.
- More equal distribution of income.

These challenges are shared among trade unions across countries and across different positions in the European economy. Norway is not a member of EU, but we are still acting as part of the internal market.

The present economic crisis was prepared by oversized and under-regulated financial markets. Most important in the US, but even in many European countries. In the first place the failure meant break down in economic confidence, investments and jobs. This undermined public finances through reductions in tax revenue. In several countries the bail out of banks did weaken the government finances further. Furthermore, one of the factors currently increasing the interest rate some governments have to pay, is the risk of default in the banking sector, and the effects such a default will have on government finances.

The ETUC have pointed out what is needed from governments nationally and at the European and global level. I will emphasize the role of trade unions. markets.

More equal distribution

One basic role of trade unions is to negotiate for their members and provide more equal pay than what is the result of market forces alone. It is also a case for saying that coordinated wage bargaining at central levels reduces disparities in wages.

The higher the degree of coordination in wage formation, the more equal distribution of pay. And being the far most important source of income, more equal pay contributes to more equal distribution as a whole.

The role of labour institutions may be contrasted by the role of financial institutions when it comes to equity and fair distribution. Just to take gender pay gap as an example. Where the gap in labour market as a whole is stable or being slowly reduced, in the financial sector it is the biggest and the gap widens.

Higher employment

Coordinated wage formation may also contribute to a more employment friendly economic policy. Several studies point out that wage coordination at the national level is an advantage for employment. And for equity far better than decentralized wage setting.

Unions need members

Modern market economies need stronger collective mechanisms to balance markets. It is therefore a paradox that development has been in the opposite directions in many countries. Financial institutions and markets have expanded, the role of organized labour has declined. Coordination in labour markets has been weakened.

In Norway and in the other Nordic countries union density is relatively high. But the most important observation is the decline in the share of workers that are unionized. In almost every country the numerical importance of unions has fallen substantially. This is a challenge that we must take seriously. Unions need members to be strong, and to organize is one of our most important jobs.

As levels of unionization differ, so does the degree of extension of collective agreement. Some countries balance a low union density with a high coverage through this mechanism. Other countries supplement collective bargaining by wage mechanism through state regulation.

Beside decline in trade union negotiating power, there has also in many countries been a trend towards more decentralized wage setting. Even that may have added to the weakening of coordination.

Obviously the trend for this most basic precondition for a constructive role of labour has to be turned around. This is of course primarily a challenge for the unions themselves. But there is also a role for politicians.

Some countries do stimulate trade union membership through tax deduction of union fee and/or through organizing part of social security with a role for social partners. This mechanism is contributing to high union density in the Nordic countries; though now being reduced by present governments in Denmark and Sweden.

A growing private service sector through outsourcing has a negative impact on unionization. The reason is that services are harder to unionize than industry and public service.

But also a level for coordination

To coordinate wages, you need not only trade unions but decision making across branches and professions. The mechanisms for coordination can also be other than between and within the organizations, for instance:

- Parallel terms of agreements in time.
- Political consensus on principle and guidelines.
- Compulsory mediation.
- Legislation or collective agreements on rules of the game.

The best mechanism is a strong federation level that is representative for larger groups of employees, to decide on common priorities and action. The competent level must in addition to mandate have the resources needed in dealing with complicated negotiations and economic policy issues. In

the Nordic trade unions (LO) the member fee may amount to 1-2 pct of earnings, with 10-20 pct of this going to the federation.

There is also a debate about to what extent coordination is needed at the European level. On many issues regarding general political decisions in EU/EEA coordination has been very relevant. For wage coordination it seems more far fetched. Given lack of coordinating mechanisms at the national level, it is hard to see coordination implemented at a even “higher” level. Unions not allowing a mandate for their national federation, hardly will hand it to an European level. In Europe such coordination will be complicated due to differing circumstances between countries.

My message to trade union friends all over Europe: We need to organize more workers. We need to join our efforts through federation that may act on behalf of more than one sector or one profession. That means a stronger voice towards employers and even towards governments. We need coordination first at the national level; only this way we can achieve more at the European level.

Roar Flåthen
President of LO-Norway
April 2012



**Trade unions and the EU:
Union reflections on the economic crisis**

The publication you hold in your hands is the first in a series of reports from the Swedish Trade Union Confederation (LO) on the theme 'Trade unions and the EU'. The series will highlight important EU issues from a trade union perspective. Both structural, long-term challenges and more topical issues will be discussed.

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