



“RESTORING CONFIDENCE IN EUROPE – EUROPEAN COUNCIL JUNE 2005”

RESTORE CONFIDENCE IN EUROPE BY PROMOTING
SOCIAL EUROPE AND GROWTH-FRIENDLY MACRO-
ECONOMIC POLICIES!

***Resolution adopted by the ETUC Executive Committee in
their meeting held in Brussels on 14-15 June 2005***

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1. To revive the Lisbon process, the ETUC has been calling for policies to strengthen Social Europe as a force for productivity. The ETUC has also pointed out the absolute importance of pro-active and growth-friendly macro economic policies to get the European economy out of the slump and back on the Lisbon track of high non-inflationary sustainable growth.
2. The ETUC is pleased to see that the conclusions from the March Spring European Council 2005 are in line with its concerns. The presidency conclusions have not endorsed a ‘trickle down’ approach (competitiveness first, social cohesion perhaps later) but have underlined the need to maintain the balance and to exploit synergy effects between the economic, social and environmental pillars of the Lisbon strategy. They have also introduced some economic rationality into the Stability and Growth Pact, thereby possibly opening up a way to anti-cyclical macro economic policies. However, in order to favour investment in the fields of research and innovation, the ETUC considers that budgets dedicated for these purposes need to be considered beyond public budget deficits. Moreover, giving the Member States the possibility of distancing themselves from the obligations of the pact, in regards to the financial contributions to pension reform, by creating an obligatory reference to the capitalization financings, is highly questionable.

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3. Recent developments concerning the ratification of the European Constitution once again underline that European workers and citizens reject the liberal mantra and employers' approach of painful and unpopular measures and social regression for all workers in order to compete with low wage economies such as China. To rebuild overall confidence in both the European project as well as the recovery of the European economy itself, a different approach is absolutely urgent. The Integrated Guidelines for Growth and Jobs provide an opportunity to do so and to send out a message of confidence to the people of Europe. The ETUC urges the June European Council to use the integrated guidelines to stress that Europe will start working to recover. And that this will not be done by cutting wages and by making people even more insecure, but by increasing productivity and innovation and by investing in knowledge and the quality of jobs. Not more precarious jobs but more and better jobs are the real way forward for Europe.

Turning the Broad Economic Policy Guidelines (BEPGs) into a real basis for European economic recovery

4. **Stability and reform are not enough.** The ETUC deeply regrets that the draft 2005-2008 BEPGs are once again limited to stability orientated and structural reform policies and basically continue to neglect aggregate demand policies. However, the fact that the European economy is now having its fifth (!) year of almost stagnation shows that such an approach is incomplete and does not work. Indeed, an economy that is the second largest economy in the world cannot hope to get continuously 'bailed-out' by policy makers in the rest of the world conducting the type of Keynesian-demand policies that Europe itself is refusing to practice.
5. **The medium run starts now!** Instead, the BEPGs need to recognise the importance of counter-cyclical aggregate demand policies that can make Europe its own engine of growth. This is the missing link in the Lisbon Strategy. If this link is not provided, then economic growth in Europe will continue to 'muddle through' and European policy makers in a few years time will be forced to conclude that all their structural reforms have merely resulted in lower effective growth, not higher potential growth.

6. **Using European strength by acting together on economic recovery.** The ETUC calls upon the European Council to establish a new guideline proposing a new European Growth Initiative, inviting member states to draw up national plans for recovery by investing 3% of GDP in Lisbon priorities such as research, education and training, active labour market policies, social housing, clean technologies and renewable energy sources. National recovery plans need to be coordinated at the European level and can be financed from three sources:
- a. Using the new scope for flexibility in fiscal policy making the new Stability Pact offers ('Lisbonising the Stability Pact').
 - b. Using excess capital savings by lending through the European Investment Bank lending ('The EIB as one of the European guardians of growth').
 - c. Shifting expenditure and taxes into those categories with a higher impact on aggregate demand ('Austrian Keynesianism').
7. **Avoid excessive wage moderation.** Wage bargaining has done more than its share of keeping inflation at historical record-lows and close to 2% despite many inflationary shocks. The BEPGs should recognize this explicitly and warn for the danger of wage moderation, which would keep the economy into a depressed state and possibly tip low inflation over into deflation. Also, the BEPGs should acknowledge the autonomy of social partners concerning collective bargaining in a clear way.

Employment guidelines for more and better jobs

8. **Precise labour market policy objectives have been kept on board.** The ETUC is pleased to note that the European Labour Ministers have kept the basic approach of the European Employment Strategy by re-inserting the employment and labour market benchmarks and objectives. These concern participation in lifelong learning, 'new start' measures for unemployed, active measures for long-term unemployed, provision of childcare, reduction of early school leavers. By not allowing these precise objectives to be substituted by a mere formulation of good intentions, employment ministers have avoided to take a first step down the road of creating jobs at any cost. Indeed, the European Employment Strategy is an essential instrument for addressing change by investing in a better performing labour

market. It is the European answer to the many calls of pure and simple deregulation of labour markets that are systematically produced by institutions as the IMF, the OECD and many others. The ETUC will never accept for the European Employment Strategy to be hollowed out.

9. **'Making work pay' should not boil down to driving the unemployed into any kind of job.** The ETUC is worried about the possible shift appearing under the heading of 'making work pay'. Here, the focus is now completely on benefit and tax reform whereas the dimensions of 'decent and equitable wage' is missing and the call (which was present in previous versions of the guidelines) to 'develop appropriate policies with a view to reducing the number of working poor' has been dropped in this guideline. The ETUC urges the European Council to correct for this. The fact that a quarter of the people living at-risk-of-poverty do have a job testifies to the fact that more jobs and more growth do not necessarily mean less poverty. The Council should recognize that fighting the phenomenon of the working poor is a basic pillar of an agenda for 'more and better jobs' and should insert this line clearly into the specific guideline on making work pay.

10. **Workers' concerns on restructuring need to be addressed.** When a majority of workers perceive European and trade integration as ultimately ending up in 'jobs out, wages down', something is very wrong. These fears for 'delocalisation' need to be addressed convincingly and the ETUC regrets that the draft guidelines only refer to the issue of restructuring in a general and vague way. Instead, a guideline should be added that requests member states to ensure that every retrenched worker has a right on reintegration in the labour market (retraining, job counselling, outplacement...). European structural funds should support collective bargaining agreements that establish such a right. In doing so, the European Council can make a clear case for a management of change strengthens workers' rights in the process of transition and structural change. Industrial policies and the quality of employment should be developed because the microeconomic approach is insufficient. The new conditions arising from the evolution of industry, the creation of services resulting from it and the complexity of enterprises structured in networks require a deeper commitment, the strengthening of training processes and ongoing education. Therefore, a more dynamic vision aimed at quality employment is essential.

11. **Keep the National Employment Plans!** The ETUC cannot subscribe to the proposal that the National Employment Plans would disappear and be replaced by the employment chapter in the new national plans for reform. As argued above, the European Employment Strategy is an essential ingredient of the Lisbon 'high road' approach and its processes and procedures should not be downplayed. The ETUC invites the Council and governments to use for the employment guidelines the same approach that is used for the macro economic part where the proposal is that the chapter of the national reform plans will be based on the stability programs that remain a separate report (see Commission staff working paper. Working together for growth and jobs. Next steps in implementing the revised Lisbon strategy SEC (2005)622/2).

12. **The demographic challenge** is faced with the problem of ageing populations, with the problem of decreasing birth rates and also the question on immigration. A close cooperation between national and European levels is becoming imperative particularly through the implementation of an active policy aimed at the protection of these populations.

13. **The need to reinforce the dimension of equality between men and women.** If we really want to raise the level of employment, great importance must be attached to gender equality policies and to the principle of gender mainstreaming by reintroducing references to the policies to be implemented (objectives to do with childcare or care for the elderly, reviewing wage systems, better allowances for parental leave). There is also a possibility of referring to the framework of the social partners on action to be taken to ensure gender equality.

14. **Guidelines on research and development** are a crucial objective of the Lisbon strategy if it is to be successful. Hardly any definite proposals in terms of employment have been mentioned. The economic climate and potentiality of employment have barely been addressed.
