



Basis of remarks to the College of the Commission – 25 February 2009

John Monks, General Secretary, ETUC

President, the European Trade Union Confederation (ETUC) is grateful for this chance to address the College on what is evidently the worst economic crisis ever experienced in the EU. I can agree with messages that are being stressed by employer colleagues on the importance of maintaining the single market in the EU and to recognise the need to work together on key questions, but from the ETUC perspective, what is being done is also inadequate both in scale and in urgency in key areas.

Let me start with expressing disappointment that the Commission's recent work plan does not mention the problems being encountered with posted workers and the fundamental rights of workers. We have seen recently disputes about the traffic rules concerning migrant work and, added to recent decisions of the European Court of Justice (ECJ), these are an unstable and dangerous development. Workers believe that employers can ship workers into many EU countries at rates less than those specified in collective agreements.

Despite the ECJ decisions being designed to promote free movement, they are, in fact, a huge threat to it because nothing threatens the single labour market more than employers having a license to use this kind of migrant worker – the posted worker – to undercut agreed rates and break the rule of equality between host and migrant worker.

We are very ready to discuss these issues with the Commission and the social partners urgently. Also the undertaking of the December European Council given in the context of the discussion of the Irish guarantees that the "high importance they attached to workers' rights would be confirmed" should be acted upon in a legally-binding way.

We need a Social Progress Protocol in the next available treaty to balance the single market and respect the fundamental right to collective bargaining and we also want to see a strengthening of the Posted Workers Directive.

I must stress that action in this area would help the single labour market which is at high risk in this recession. ETUC supports free movement but the rules must be clear.

We have supported the EU Recovery programme but we are alarmed that the recession continues to worsen on a weekly basis. In view of that, the recovery plan is not yet of the scale required nor enough to steer national responses away from protectionist steps into a more European mode.

The recovery plan included 0.5% of new measures, on the Commission's own estimates, yet the output figures are showing a situation which will be at least 4% below potential output.

And some governments are underestimating the risks of nationalising and assuming responsibility for toxic assets in the banks and private sector investments. We are bailing out companies which have been weakened by their own Chief Executive Officers (CEOs) drawing huge pay and bonus packages. Banks have practised what Paul Volcker has called 'alchemy'. In some cases, they have been looted by their own CEOs. These practices must be stopped as part of the EU recovery plan and our determination must be that never again can so few wreck so much, and that the growing inequality trend is strongly reversed.

The Commission must be at the heart of action to produce a more powerful and co-ordinated response on economic policy, on industry policy, on environmental policy and social policy. Otherwise the risk of inadequate and rather nationalistic responses becomes greater and greater.

So, ETUC wants a second recovery plan aimed at producing another 2% of GDP, including large European projects financed by European Growth Bonds and backed up by European central banks buying these bonds. These projects should focus on sustainable projects which promote smart growth and a much greener approach. And they should be funded by Europe itself taking the strain on financial markets and not leaving it to some now badly weakened national governments.

We also want to see common rules for industry policy to stop beggar thy neighbour approaches while helping our key industries get through the recession.

We also want to see demand increased. Wage freezes, cuts in pay caused by unemployment and short-time working (where benefits are inadequate) contribute to deflation. They did in the 1930s and they do now. Every effort should be made to keep up workers purchasing power and to use this as a driver of demand and growth. Public sector spending cuts are wrong and counter productive. And to provide all member states with the possibility and the means to defend wages, public and social spending, Europe must do more to support the more vulnerable member states against the vagaries of international capital markets. In particular, we can not leave Central and Eastern European countries at the mercy of the IMF's usual structural conditionality of dismantling wages and welfare. What we need is adequate financial support to member states so that the values and policies of the European Social Model can be maintained and strengthened.

Maintaining purchasing power should be part of a wide ranging New Social Deal – European wide to maximise effect – with a new emphasis on

consultation and information on restructuring to explore all alternatives to firing workers. We must promote short-time working schemes backed by good benefits and expanded training and retraining opportunities.

A special EU wide scheme for this year's school and college leavers should be put in place.

Europe must be a leader, not a follower in producing the necessary response to the crisis and must not allow a return to 'business as usual'. It must combine a stern, even angry determination to prevent any recurrence of the type of casino capitalism which caused the crisis once the worst is over, and it should lead on this at the G20 in April. "Never again" should be the fundamental approach to the G20 regarding the behaviour of the financial institutions. Nor is it simply a matter of regulation. We want to see a common approach to some tax issues to ease tax competition coming at the expense of public revenues.

Europe's plans should be ambitious and we must be prepared to match the Americans. Europe must recognise that, increasingly, restive and worried workers are demanding protection which could turn into demands for protectionism and nationalism unless Europe and its member states show the necessary common will to tackle the growing problems and provide genuine protection for workers. The security side of flexicurity needs to be emphasised more and precarious workers given more confidence.

You have made a start but we have much further to go and much more to do. The social partners need to be closely engaged in producing a strong joint programme.