

OUR PRIORITIES

ETUC Resolutions
2003



EUROPEAN TRADE UNION CONFEDERATION

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EMPLOYMENT POLICY



1

REVITALISE THE LISBON STRATEGY NOW to fight Unemployment and Social Degradation

Executive Committee, 6-7/03/2003

The European Union is again facing a serious and worsening economic and social situation. Works closures and mass dismissals are becoming a daily occurrence. Structural change, partly resulting from the completion of the Single Market and the introduction of the Single Currency, is resulting in more and not less unemployment, and in social degradation and not social cohesion.

The Spring European Council must revitalise the Lisbon Strategy. It must address immediate as well as medium term problems and it must ensure, as was originally intended, that there is sustainable social and environmental as well as economic development. Innovation and competitiveness, yes, but more and better jobs, and enhanced living standards, too.

The ETUC understands concerns that parts of the Lisbon agenda, most notably in relation to the environment, have been very inadequately pursued; that other parts have been delayed for unacceptable reasons; and that some parts once agreed have yet to be implemented. However, the Commission's Report 'Choosing to Grow' reveals that the real failures at the heart of the EU's performance have been macroeconomic – and that missed structural objectives have been more the consequence than the cause of macroeconomic failures. In particular, the overall policy-mix has continued to be excessively focussed on stability – at the expense of the real economy.

As part of the Lisbon strategy and in order to get back on to its 3 % pa growth path, Europe must therefore introduce its own counter-

cyclical, recovery programme. With a massive internal market, which will reach 450m people with enlargement, Europe can and must generate its own growth. It can no longer rely on others, such as the United States which has its own major problems.

With inflation under control, the first step must be to make monetary policy also growth and employment-friendly. Real interest rates are much too high for core-Europe and this is holding back the overall European economy. Indeed, deflation is now a greater threat than inflation. The ECB should have reduced rates by at least $_$ % on 6 March and its failure to do so, coming on top of a history of 'too little, too late', is seriously damaging the Bank's credibility, while reinforcing the case for reform in the context of the European Convention.

Secondly, and especially in these circumstances, a coordinated budgetary stimulus equal to at least 1% of EU GDP is required. Together, the EU's Member States have more room for manoeuvre than if they continue to act alone. Recent progress on savings and corporation taxation help strengthen Europe's capacity to act. The focus should be on investment, thereby strengthening both the demand and supply sides of the economy, and particularly on the introduction of new environmentally-friendly technologies, enhanced funding of research and development, and the completion of the enlarged EU's trans-European infrastructure networks. Despite years of high profitability, much of private industry has been letting Europe down by not investing enough. Public initiative has therefore to move to the fore.

The Stability and Growth Pact must be brought into line with the Lisbon objectives of sustainable development. The Pact must be intelligently reformed to live up to its name and to promote, and not obstruct, growth. Member States should no longer be pressed into taking self-defeating, pro-cyclical actions; instead, they should be encouraged to invest for the future through the incorporation into the Pact of the 'golden rule'.

Thirdly, the Spring Summit must ensure that the European Employment Strategy is strengthened in line with the Lisbon full employment commitment, and that it continues to be a key instrument for expressing the values of the European Social Model. This balances competitiveness with solidarity, and employers' demands for flexibility

with workers' needs for security. Action, rather than yet another labour market study as demanded by certain governments, is required.

The emphasis must be on positive measures of human investment, and not on sanctioning further those threatened or hit by unemployment and social exclusion. Particular attention must be devoted to mainstreaming equal rights and opportunities for women and men, to education and lifelong learning, to individualised assistance for the unemployed, to the needs of younger and older workers, to child and elderly care facilities, to improving health and safety (where failures lead to a massive loss of economic potential), and to lifting mobility obstacles especially with regard to housing and pensions. On pensions, voluntary progressive retirement schemes have their place, but the Summit must recognise that extra resources have to be found, and that the issue is a social one with financial implications, and not the reverse.

The Summit should ensure that the EES addresses the challenges of enlargement: there must be one strategy, governed by the same principles, for the entire Union, though the ETUC could accept some flexibility in deadlines for meeting common targets. In addition, the EES must stand alongside, and not be made subordinate to, the Broad Economic Policy Guidelines; there should be greater synergy with the European Social Fund; national parliaments and the European Parliament must play bigger roles to promote commitment to the Strategy; and national administrations should establish EES committees with social partners representation.

Finally, the ETUC will resolutely oppose attempts to use the current crisis to dismantle the European Social Model. Structural change and modernisation must be built on social dialogue and negotiated agreement, not on employer diktat. The European institutions together with the Social Partners must: strengthen industrial policies to master the process of structural change and to reconcile competitiveness and social objectives; ensure that companies publish annually a report on how structural change is managed; involve closely the Social Partners in EU competition and merger procedures; strengthen the information and consultation provisions of the European Works Council directive; and ensure that these and other I & C provisions in EU laws are backed by European and national sanctions.

1. The ETUC has always adopted a positive stance in relation to the creation of a European internal market which – ETUC is convinced – can lead to more growth, employment and a higher level of welfare, provided that the social dimension is at the same time constantly strengthened and extended. The current economic situation shows, however, that the advantages deriving from the internal market fall far short of expectations. On the contrary, the growth and employment effects have never been so great as forecast by the Commission.

2. It can no longer be claimed that the weak growth of the European economy and rising unemployment are attributable to the regulatory obstacles in the internal market. They are the outcome, rather, of an inadequately employment-oriented macro-economic policy which needs to be flanked by an innovative industrial and structural policy.

3. The ETUC shares the view that the obstacles which prevent the internal market from functioning to optimum effect must be dismantled. But the internal market strategy, as well as the broad economic policy guidelines and the employment policy guidelines, must be tailored to meet the strategic goals of the Lisbon Strategy, to enable the EU to develop into the most competitive and dynamic economic area in the world by the year 2010. Competitiveness must not be regarded as an end in itself – it must contribute to more and better jobs, and to greater social cohesion.

4. For the ETUC, it is impossible to understand how the political goal of a return to full employment and the strengthening of social cohesion can have been virtually eliminated from the Commission's

considerations on the internal market strategy. The impression is created, indeed, that rather than a cautious, controlled opening of the market, the policy pursued is one of forced liberalisation. The ten-point plan for an internal market strategy proposes several administrative measures likely to seriously undermine the European social model. There is a risk that such measures will not contribute to the necessary improvements in internal market demand but that they will lead to significant burdens for workers and consumers. In particular, the public procurement procedures are of major importance for the employment situation and the working conditions in the Member states. It should be ensured that the legislative procurement package takes into account the observance of a 'fair labour standards' clause.

5. In order to facilitate the free movement of goods, primacy is given – rather than to the harmonisation of national regulations – to the principle of mutual recognition, with a call for a balance between state regulation and private self-regulation. For the ETUC, the principle of mutual recognition – even if it is appreciated in other areas (i.e. education) is not the cornerstone of the internal market – as the Commission asserts – but represents, at best, a substitute solution. From the standpoint of the ETUC, the most important aspect of the internal market is the harmonisation of national state regulations at a high level of protection for workers, consumers and environment.

6. If a major proportion of national state regulations are left subject to the principle of mutual recognition, this would not only lead to a considerable amount of legal uncertainty for firms. The danger of regime-shopping entailed by such an approach can lead to job losses and deteriorating consumer standards.

7. The ETUC is critical of the further liberalisation of services advocated by the Commission. Workers and consumers, but also small and medium-sized businesses, are not the victims of a lack of liberalisation. Without protection of their wages and working conditions and guaranteed quality standards, they are the ones who will suffer. Future concrete measures in the framework of the internal market strategy must be based upon a serious analysis, which investigate the positive and negative effects of further liberalisation

for those concerned. Workers' and consumers' representatives must be involved in these evaluations.

8. In almost all those service sectors that have been opened up to liberalisation in recent years, it has turned out that expected welfare benefits are far from having been achieved. No account whatsoever is taken of those experiences in which the opening of markets has entailed serious adverse effects. This applies above all to services of general interest which are a main pillar of the European social model. No further steps must be taken towards the liberalisation of markets until the Commission has delivered a framework directive on services of general interest.

9. The liberalisation of the water supply sector envisaged by the European Commission is unacceptable. It would run counter to the generally recognised principle according to which water, in view of its special significance for human beings, cannot be regarded as a conventional "merchandise".

10. That tremendous investments in European infrastructure will be required in the coming years is a view that is shared. The ETUC has called, in this respect, for a reform of the stability and growth pact which, in the present state of the economy, leaves the member states too little room for manoeuvre in the financing of infrastructure projects. The ETUC is however critical of the Commission proposal in the direction of private financing and public/private partnerships.

11. Full support is given to the Commission's call for an efficient control of mergers. In the view of the ETUC the optimum use of deadlines in the framework of the merger control system should not lead to unrealistically short deadlines which would make full information and consultation of workers quite impossible. The ETUC is astonished that the Commission communication takes no account whatsoever of employee rights. Full and early worker participation is essential to prevent job losses and to ensure the satisfying outcome of restructuring measures, including mergers.

12. The new draft directive on takeover bids has to be changed to guarantee that workers and their representatives, both in the company of the bidder and in the targeted company, are informed and consulted

in time and during all phases of a take-over procedure. Experiences with takeovers in recent years have shown that in many cases they make no economic sense but have led to the elimination of considerable assets resulting in major job losses. All the stakeholders – boards of directors, supervisory boards, workforces and their elected representatives etc. – must have means to effectively oppose mergers that do not contribute to the sustainable development of a company and region. The takeover directive must not serve as a means to harmonise the various national systems of company laws.

13. The sustainability of social protection systems is, against the background of demographic developments, also of central significance for the ETUC. However, their future organisation cannot result only from constraints relating to budget and internal market, but it must also take into account their goals and be a consequence of the dialogue with the social partners. The ETUC supports the Commission's endeavours to ensure, by means of European-level regulation, that a change of job within the Member states – or a change of firm – should entail no disadvantage in terms of occupational pensions. The ETUC is in favour of the development of additional and alternative forms of funding which would serve to lighten the burden of taxation on labour and other production factors. The ETUC stresses that the state retirement pension systems must be preserved as the major component of the pensioner's income. The ETUC encourages the Commission to increase its efforts to guarantee and further develop the systems of social protection, in particular health services.

14. The ETUC shares the view that the enlargement – like global competition – represents one of the major challenges of the EU. It seems that the measures planned are not sufficient to preserve the quality of the products, of the environment and of the services. It would be more appropriate, during the transition period, that the administrations of the present and future member States should concentrate more on the consolidation of the legislation in force and/or its implementation in order to avoid any risk of worsening of the present situation.

15. The ETUC is deeply concerned at the general thrust of the Commission communication. Improvement in the operation of the

internal market is undoubtedly also in the interest of workers and their trade unions and can entail advantages for European consumers. Workers and consumers must, however, be placed at the centre of internal market policy. In this connection it may be worth the Commission's while to remember that, back in 1988, the Cecchini Report pointed out that there would be no point in a common internal market if its impact were to be a reversal of social progress and unleashing of competition among Europeans such that fundamental workers' rights would be called into question. In relation to the further elaboration of the Commission's internal market strategy, the ETUC sees the need for some rather fundamental correctives. The internal market strategy must be tailored to the strategic goals of the Lisbon process for the creation of more and better jobs. The balance of economic and social integration must not be taken into question.

I. INTRODUCTION

1. With the adoption of the Maastricht Treaty, the Commission was given, under Article 157 (formerly Article 130), the Treaty basis for a common industrial policy. This step fulfilled a central ETUC demand. In advance of the Maastricht decision, the Commission had set out its industrial policy ideas in its communication “Industrial policy in an open and competitive environment” (COM 90 - 556 final).

In the White Paper on “Growth, competitiveness, employment” and in the Commission communication “An industrial competitiveness policy for the European Union” (COM 94 - 319 final) the industrial policy action fields were described in more detail.

2. At its Executive Committee meeting in April 1995 the ETUC welcomed the industrial policy measures taken by the Commission and expressed, in a twelve-point programme, its conviction that the search for ways of handling structural change in industry in a socially tolerable manner must constitute the nucleus of a European industrial policy. It referred also to the horizontal function of such a policy (creation of general framework conditions in the fields of infrastructure, environment, training and research) and to its vertical function (specific sectoral industrial policies).

3. The conference held in May 2003, jointly organised by the ETUC and the European Industry Federations and entitled “Towards a European Industrial Policy”, discussed the changed economic and

political environment and the challenges that this entailed for a future industrial policy. Reference was also made, in the framework of this conference, to the specific conditions in six sectors. The conference proceedings provide part of the background to this resolution.

4. The action programme adopted at the 10th ETUC statutory congress emphasised that industrial policy is of central importance as a strategic instrument for implementation of the Lisbon strategy.

II. CHANGED CONDITIONING ENVIRONMENT AND NEW CHALLENGES FOR AN INNOVATIVE INDUSTRIAL POLICY

5. The ETUC welcomes the Commission communication (2002 – 714 final) on “Industrial policy in an enlarged Europe” which outlines important proposals and suggestions for an innovative industrial policy against the background of the changes associated with enlargement. The Commission’s view that industrial policy has an important role to play in achieving the goals of the Lisbon Strategy receives emphatic support. Under circumstances of chronically weak growth in Europe, the goal of a return to full employment – with more and better jobs – can be achieved only on the basis of a wide-ranging policy mix which, in particular, needs to coordinate macro-economic and structural policy frameworks and to encompass financial and trading policy, technology, regional and environmental policy and infrastructure and vocational training policy. The ETUC accordingly supports the Commission’s view that development of the growth potential of the EU must remain a primary industrial policy goal.

6. The Commission correctly stresses that even in a knowledge-based economy processing industries continue to play a key role. Structural change in the economy (tertiarisation) has led to a new state of reciprocal dependency between service sectors and manufacturing industry; but the latter nonetheless remains vital for economic growth and employment. The new and developing service sectors are highly dependent on a competitive industry. Without a

strong and well-rooted industrial base in Europe, there will be no secure jobs in the production-oriented services.

7. While agreeing with the Commission's assertion that an innovative industrial policy must contribute to promoting and improving the export capacity of European industry, the ETUC stresses nonetheless that the continuing high export figures confirm the quality and productivity of the European industrial base. Even under circumstances of global competition, EU firms have successfully maintained a position as world market leaders in key sectors. Export is genuinely threatened by the unfair competitive practices of competitors in non-European production sites and by the hesitancy of the European institutions to take action in such cases.

8. Under the conditions of a globalised economy national-level regulation is no longer adequate. The ETUC therefore reiterates the Commission's assertion that it is henceforth imperative to continue to pursue, as a matter of priority, the development of globally accepted rules and that standards should be raised worldwide.

9. The changed demands on a European industrial policy resulting from EU enlargement are not adequately dealt with in the Commission communication. There can be no doubt that the accession countries have, in recent years, made tremendous efforts to achieve fundamental reforms of their economic structures. Yet the enormous challenges facing individual sectors of the economy receive far from adequate analysis. What is clear from the studies available is that a huge wave of adjustment still lies ahead and that this will inevitably lead to a new industrial division of labour between the old and the new member states. It is a situation that calls for coherent and innovative industrial policy responses.

10. The accession countries will not, in the long run, be able to assert their competitiveness in their capacity as low-wage production sites. Only on a foundation of high technical competence and well-qualified workforces will they be in a position to affirm their competitiveness and thereby contribute to the preservation and further development of the European social model. This calls for an innovative industrial policy able to speed up economic and social convergence in a united Europe.

III. CONCEPTUAL ELEMENTS OF AN INNOVATIVE EUROPEAN INDUSTRIAL POLICY

11. The ETUC opposes the view that industrial policy must itself be innovative and that new regulatory concepts are required. Already in the position issued in 1995 the ETUC advocated the elimination of superfluous forms of regulation, which inhibit the innovative capacity of industry. The ETUC accordingly supports the Commission in its search for better and simplified forms of regulation at European level. These must be shaped, however, in such a way as to guarantee full involvement of all relevant social groups and adequate democratic controls. The ETUC also supports the intention to complement legislative procedures with a systematic ex post assessment of their consequences. Such assessment must incorporate, on an equal footing, economic, social and ecological criteria. Improvement of the legislative framework must be geared to preserving production sites throughout Europe, while observing the need to avoid negative effects on industry.

12. At the same time the ETUC supports the Commission in its assertion that an established framework of law offers companies planning security for future investment. In the same spirit, the ETUC warns against the abuse of new regulatory instruments for the mere purpose of reinforcing deregulation. It is firmly opposed to the idea of relying on self-regulation or voluntary reform on the part of industry. The trade unions too are in favour of dismantling unnecessary bureaucratic hindrances and hurdles. At the same time regulations designed to ensure a high level of health and safety protection and wide-ranging participation rights for workers and their trade unions must be recognised as assets for competitiveness. These cannot be sacrificed on the altar of dismantling bureaucracy. Growth will be created not by “debureaucratisation” but only by a sound macro-economic policy.

13. The ETUC does not believe that industrial policy can be equated with the “application of enterprise policy instruments to the industry sector”. Industrial policy must be understood rather as a wide-ranging policy mix, with a scope far beyond the usual corporate policy instruments, its purpose being to raise, in sustainable fashion, both productivity and value added. An excessively narrow definition – such

as is given by the Commission – is quite at odds with the demand for an innovative industrial policy, and also in contradiction with several components of a European industrial policy to which the Commission appropriately draws attention in its communication.

14. The Commission correctly draws attention to the fact that Europe spends a smaller proportion of its GDP on Research and Development (R&D) than, for example, the USA or Japan. A longstanding ETUC claim is the raising of European R&D expenditure to three per cent of GDP. At the Barcelona European Council this goal was taken up by the Heads of State and Government. The creation of a genuine European research area must be a priority endeavour and this includes the faster transfer of new knowledge into new products and production processes. Particular attention should be paid to the promotion of cooperation between research centres, universities, industry, and trade unions at regional level.

15. Knowledge is the most important raw material for innovation in Europe. It is therefore not without good reason that a significant increase in per capita investment in human resources is a central goal of the Lisbon Strategy. In spite of this generally acknowledged requirement, public expenditure on education and vocational training – expressed as a percentage of GDP – is falling. The ETUC recalls, in this connection, that while the European Stability and Growth Pact confines public budgets within strict limits, there is an urgent need to increase expenditure on education and training as well as on research and development. Such expenditure is to be regarded as an investment in the future and not to be equated with current spending. Significantly greater financial resources should also be allocated to lifelong learning. Accordingly, the ETUC believes that seven per cent of the total company wage bill should be invested in initial and continuing training provision.

16. An innovative industrial policy is inconceivable in the absence of efficient and high-quality services of general interest (SGI). The ETUC regrets that the Commission communication fails to grant due significance to this aspect. Services of general interest are an important factor of the infrastructure required by European industry, making a decisive contribution to competitiveness, but also to social cohesion.

17. The fostering and development of industrial clusters and networks of innovative firms is a priority of an innovative industrial policy. In recent years, industrial clusters, displaying a high level of competitiveness, have developed in numerous regions of Europe. It is therefore surprising that the Commission should fail to attribute importance to regional structural policy as an important component of industrial policy. The European Structural Funds play a central role in this respect and the ETUC reiterates its demand for urgent allocation of additional financial resources. The regional dimension of industrial policy and the targeted use of structural fund resources will be of major significance, in particular, for the restructuring of traditional economic sectors in the regions of the new member states.

18. In the development of regional industrial clusters small and medium-sized enterprises (SME) have a leading role to play. More than two thirds of European workers are employed in SMEs. The ETUC accordingly supports the Commission's statement that alternative sources of financing must be found to promote the innovative capacity of SMEs, the more so in that SMEs are the most affected by the consequences of globalisation of financial markets and access to the traditional forms of financing, namely bank loans, are becoming increasingly difficult for them as a result of the Basel II Agreement.

19. The Commission refers in its communication to the accelerated pace of mergers and takeovers in the last few years. This is a trend that has not necessarily served to strengthen the competitiveness of European industry and that has led, in many cases, to job losses on a major scale. As such, it is the view of the ETUC that that European mergers policy and the modernisation of company law should not be geared unilaterally to the interests of the owners of capital. Equal weight must be accorded in merger procedures to the interests of shareholders and stakeholders. Employees are directly affected by merger and takeover procedures and they need, in this capacity, broad rights of participation. The Commission, moreover, in the context of merger control procedures, should take account of employment policy considerations.

20. The European social dialogue is a determinant of modernisation and transformation of European industry (see Commission communication COM 2002 – 341 final). As such the ETUC is aston-

ished that the Commission should attribute, in its communication, a positive role for the competitiveness of European companies only to corporate social responsibility, while completely neglecting the institutionalised social dialogue. The social partners must be involved in the implementation of industrial policy at all levels. And this applies, first and foremost, to the sectoral level, where the European industry federations have in recent years, in a number of economic sectors, proved that they are an active partner in the pursuit of an innovative industrial policy. It applies equally to the European Works Councils which have to deal in their work, on a virtually daily basis, with restructuring processes. The ETUC regards as completely unacceptable any suggestion that the dialogue on an innovative industrial policy should be reserved for representatives of the business world.

IV. CONCLUSIONS

21. The ETUC fundamentally supports the Commission initiative to stimulate new thinking and provide impetus for a European industrial policy. Consequently, the ETUC also supports the Commission's plan to put forward additional specific initiatives. These must be grounded in a comprehensive strategy for sustainable growth.

22. In a number of fields the conceptual components of a European industrial policy require concrete clarification and incorporation into an efficient and coherent policy mix. To this end it would be a help if the Commission were to conduct an evaluation of the industrial policy it has pursued to date, giving equal weight to the economic, social and ecological aspects.

23. When designing future initiatives, it should demonstrate how industrial policy can react to specific regional problems, for example in the face of dwindling traditional sectors of industry, non-industrialised regions which have seen little development to date or regions structured around small businesses with specific company clusters. In particular, an industrial policy with a region-specific focus meets the special demands of new Member States.

24. In the future, the Commission should produce detailed analyses of sectoral problems in industry each year. The Commission used to publish a 'Panorama of EU Industry' on a regular basis. It is impossible to understand why this important publication was stopped. The Commission should begin publishing it again as soon as possible, if necessary in an amended form. Descriptions of future scenarios need to be included as a new factor in this regular sectoral monitoring in order to create a firm foundation for the process of anticipatory action.

25. The ETUC subscribes to the proposal from the European Parliament Committee on Industry, External Trade, Research and Energy according to which the Commission should prepare an action plan in which its conceptual proposals should be given concrete shape. An action plan of this kind needs to be complemented by action programmes for specific sectors, in the devising and implementation of which the sectoral committees for the social dialogue must be actively involved. In cases where such social dialogue committees are not yet in existence, involvement of the European industry federations should be guaranteed.

ETUC ON SERVICES OF GENERAL INTEREST AND THE COMMISSION GREEN PAPER

Executive Committee, 28-29/04/2003

1. ETUC welcomes the intention of the Commission to publish a Green Paper on services of general interest in the coming weeks. This Green Paper could represent a good opportunity to have a broad debate on the role of Services of General Interest (SGI) in the future European Union, recognising the contribution of SGI to further develop the European social model in terms of equal opportunities of citizens, social and territorial cohesion as well as the Lisbon sustainability strategy. The discussion of the Green Paper should therefore also fit into the work of the Convention on SGI.

ETUC will return to the issue of the Green Paper in detail and the ETUC industry federations are also preparing their own positions on questions of relevance to their particular sectors.

2. The ETUC and its relevant industry federations have repeatedly stressed the need for a European framework on SGI. In this respect, the *ETUC-CEEP Charter on Services of General Interest* was drawn up as a protocol to the Treaty of the European Union. However, the aim, which was to have this Charter appended to the Treaty, was regrettably not reached at the Nice Intergovernmental Conference. In the meantime, continued and accelerated liberalisation of certain sectors makes it all the more important that the Commission adopts a coherent approach in its different related initiatives.

3. The crucial role of efficient and high-quality SGI in achieving the objectives and targets of the 'Lisbon economic and social sustainability strategy', including the social and territorial cohesion objective, is

acknowledged. This perspective, however, is not sufficiently reflected in the Treaties, and the present TEC article 16 provisions on services of general economic interest do not re-balance the situation. It is therefore important to reform the Treaties to make them clear, amongst others, in terms of EU missions.

4. In its submission to the Convention, ETUC has asked for the introduction of the promotion of services of general interest in Draft Article 3 of the Constitutional treaty provisions on the ‘Union’s objectives’:

“to secure and promote, within its competence and in its activities, services of general interest of high quality and based upon the principles of universality, equal access, neutrality of ownership, fair pricing, the quality of work, quality employment, safety and social justice. The Union shall ensure in particular that the aims referred to in this Article are also respected in all its external activities.”

And as a competence and task for common activities:

“measures to secure and promote services of general interest”;

and a chapter on SGI in the future policy treaty (part II of the Constitution):

“(1) Given the place occupied by services of general interest in the shared values of the Union, as well as their role in promoting social and territorial cohesion, the Community and the Member States, each within their respective powers and within the scope of application of this Treaty, shall take care that such services operate on the basis of principles and conditions which enable them to fulfil their missions.

(2) National, regional and local authorities of the Member States must remain free, in accordance with national legislation and practice, to determine the way in which they wish to deliver a service of general interest.

(3) Without prejudice to the exercise of any official authority and non-profit oriented activity, the (EU) competition rules shall apply to the organisation and delivery of services of general interest only to the extent determined sector by sector by the Council and the EP (QMV & co-decision) and taking due account of the principles and

objectives of the services of general interest. Concerning state aid, special or exclusive rights granted in connection with the organisation of services of general interest should not be considered as competition-distorting practices, where the amounts awarded to achieve the defined objective are proportionate.”

Again ETUC calls for SGI to be anchored in the Constitutional Treaty in the objectives and activities of the European Union thus providing a solid legal base for secondary legislation. The report of the working group on social Europe contains a very similar approach and was supported by a large number of Convention members. ETUC reiterates the need for the Convention to address the relationship between competition and services of general interest principles in view of proposing the necessary changes in order for the Treaty to meet the requirements of a social market economy.

5. ETUC recalls *the joint declaration with CEEP to the Laeken European Council* asking the Commission to initiate the elaboration of a proposal for a regulatory framework directive. Assuming a clear legal Treaty base, ETUC believes that a framework directive can further add to ensuring coherence and increasing the certainty of the provision of these quality services, by setting horizontal principles and rules to be applied in all sectors concerned. It can serve to improve the legal clarity regarding treaty competition rules, including clarifying the competencies of public authorities and the SGI categories to be excluded per se from its scope. This would, for instance, relate to education, health, and social services. The development of a framework directive would also enable the Union to support a proactive strategy for the negotiated modernisation of SGI, aimed at improving and developing them on the basis of general principles such as equal access, quality services, fair pricing, universality, quality of work and employment, safety and social justice. Given the crucial importance of SGI for quality of life, employment and social and territorial cohesion, such a framework approach would play an essential role for the realisation of the Lisbon objectives.

6. The current article 295 of the TEC is neutral regarding the public or private ownership of SGI. This is an important principle for the European Commission to respect. Liberalisation should therefore not be used as a tool with which to attack services of general interest, or as a political argument to launch a privatisation campaign. It would also

be unacceptable for the Commission to use a concession system to liberalise or privatise public services and enterprises. Above all, replacing a democratic regulated public monopoly with an unregulated private monopoly must be avoided. With due regard to the principle of subsidiarity, democratically legitimised national, regional and local authorities of the Member States must remain free to determine the way in which they wish to deliver SGIs, including a return from private to public ownership of service.

7. ETUC is very concerned that practical preparations are under way to speed up the liberalisation and deregulation of several sectors, such as telecommunications, postal services, energy and transport without a serious pluralistic assessment of the consequences of these processes for service delivery, quality and quantity of jobs, equal access to services and service choice. In contrast to the assertions of Commission DG Competition, it is a fact that liberalisation has led to massive market concentration and job losses. Competitive pressures very often mean that companies reduce investments in maintenance and repair, in training of staff, in research and development. ETUC therefore pleads for a thorough pluralistic impact evaluation of the liberalisation processes to date that should not be confused with the routine measurement of the implementation of the directives. The parameters for the impact evaluation of the effects of liberalisation need to be wider, to also include social, employment and labour market, equality and environmental data with economic ones. The reluctance to present a proposal for a framework directive whilst speeding up the liberalisation process is totally unacceptable. If the Commission is not able to deliver, it would be logical to come to a legislative standstill (moratorium) concerning liberalisation until the Commission is able to deliver a framework proposal.

8. ETUC reiterates its demand for transparent and democratic regulatory and monitoring structures mandated by public authorities to effectively control the impact of liberalisation of SGI. Such a process should involve workers and their trade unions as well as citizens groups. The ETUC–CEEP proposal for a European observatory on SGI should be taken up as part of this.

5

ETUC RESPONSE TO THE EUROPEAN COMMISSION'S COMMUNICATION

*“Second consultation phase of the social partners with a view
to improving the portability of supplementary pension”*

Executive Committee, 16-17/10/2003

1. On 15 September 2003, the Commission launched the second phase of its consultation of the social partners on the portability of supplementary pension rights, that is to say on the possibility to acquire and conserve pension rights in the case of mobility. By this process, the Commission wants the social partners to:

- provide it with an opinion or recommendation concerning the content and scope of application of a Community initiative intended to improve the portability of supplementary pension rights;
- to inform it, if applicable, of their decision to participate in negotiations, specifying whether they want to adopt a global approach or focus on certain elements of portability and on the scope of the negotiation procedure, that is to say on the types of occupational schemes to be taken into consideration.

2. As it announced in its response to the first consultation phase, the ETUC is in favour of a European initiative capable of eliminating obstacles to the mobility of workers, in particular in the area of occupational pensions and more specifically the acquisition, conservation and portability of rights. What is more such an initiative is part of its demands.

3. This initiative should cover all obstacles identified to date and concern all types of occupational pensions schemes, excluding of course those which fall within the scope of Regulation EEC/1408/71.

4. It could be twofold in nature:

- On the one hand, legislative; such an initiative would cover, in particular, the removal of obstacles to mobility, in the scope of occupational pensions, related to fiscality, or the removal of current legal obstacles linked to the transfer of capital, corresponding to occupational pension rights acquired by a worker.
- The other could involve the social partners and be translated by a European framework agreement.

5. This European framework agreement would be the expression of the major principles which should include, in particular, those to which the ETUC attaches particular importance, namely:

- Negotiation between the social partners: the putting in place of supplementary pensions schemes is an integral part of this negotiation and the social partners have a legitimate role to play in controlling and monitoring such systems;
- A refusal to call into question the organisation of supplementary occupational pension schemes: a framework agreement must neither undermine them nor, more generally speaking, call into question the architecture of national pension systems;
- The acquisition of occupational pension rights: these are acquired according to conditions to be determined at the appropriate level, independently of the period of employment in the enterprise or in the country, the employee's age and his or her working time or the amount of his or her salary;
- Equal treatment in conserving rights acquired: between mobile workers, including within the same State and other workers;
- The right to transfer the capital corresponding to acquired rights: notably based on a solution intended to remove technical obstacles.

6. To sum up, the ETUC gives priority to the European social dialogue for the elaboration of the major principles. It is therefore ready, at its level, to participate in negotiations with its European partners, provided that these are ready to participate in the same process, as indeed are its European national and sectoral organisations at their level.

7. These principles should be implemented at national level, in the framework of the social dialogue, which could be, according to the principles addressed, inter-professional or sectoral.

8. Should the other partners be unwilling to participate in such negotiations, the ETUC calls on the European Commission to assume its responsibilities and take the necessary measures to ensure the implementation of these principles.



ACTION PLAN

for an ETUC policy on migration, integration, and combating discrimination¹, racism and xenophobia

Executive Committee, 16-17/10/2003

INTRODUCTION

In 2002, ETUC launched a 2-year project on trade union action to tackle religious and racial discrimination. Part of the work in the first year of the project involved the compilation of a report, analysing how trade unions in Europe have responded to the problems faced by recent migrant workers and their families. The report was based on a questionnaire which was sent to national trade union confederations.

The answers provided made it clear that the overwhelming majority of confederations recognise that recent migrants and their descendents face particular problems on the labour market and that they are acting to address these problems. Confederations are also acting to involve recent migrants and their descendents in their own structures and in some cases are making major changes to take account of their concerns.

Although there are common features across Europe, it is important to recognise that the context and history of recent migration varies from country to country. The legal position of migrants and their descendents also varies, depending where they have come from and the countries they have settled in. Trade unions too vary in their capacity to respond.

¹ based on race, belonging to an ethnic minority, religion and nationality

However, the report highlighted a number of areas and initiatives which have been undertaken and which could easily be replicated across our membership.

Following the publication of this report, it was agreed on the need to produce an Action Plan for all ETUC affiliates to encourage action at national level. In order to promote action at trade union level in this regard, the working group on Migrants and Ethnic Minorities agreed on the need to enlarge the action plan to cover a number of issues as follows:

A: To develop a trade union policy vis-à-vis the developing European policy on migration, regarding the integration and equal rights and treatment between persons, management of migratory flows and mainstreaming migration and integration issues into other EU policies;

B: Specific trade union actions to ensure equal treatment and rights for all workers;

C: A particular role for the ETUC and its institutions in developing and monitoring policies and actions on the European level by European institutions and social partners, and supporting its affiliates in implementing the Action Plan.

The Action Plan has been endorsed by the Working Group on Migrants and Ethnic Minorities.

The Action Plan can be used to implement par. 2.e. on 'Mobility, immigration and social integration' of the Action Programme, adopted at the ETUC 10-th statutory congress in May 2003 in Prague, points 39 to 46.

To bring the Action Plan and the relevant points of the Action Programme into practice will need a strong commitment by the ETUC and its affiliates. Hence the proposal to broaden the scope of the existing working group on Migrants and Ethnic Minorities, and to rename this group 'Working group on Migration and Integration'.

The Executive Committee approved the enclosed Action Plan during its meeting of 16 October 2003.

PLAN FOR AN ETUC POLICY ON MIGRATION, INTEGRATION, AND COMBATING DISCRIMINATION¹, RACISM AND XENOPHOBIA

I. EUROPEAN POLICY ON MIGRATION

A. WITH REGARD TO INTEGRATION AND EQUAL RIGHTS AND TREATMENT BETWEEN PERSONS, THE ETUC WILL DEMAND:

1. New legislation:

- Continuous efforts to obtain European citizenship (i.e. the equal treatment of EU nationals and third country nationals, who are long-term residents) that entitles them to the same social and political rights;

- European legislation on equal treatment between persons in accordance both with UN and ILO conventions and with the legal instruments of the Council of Europe;

2. A Council decision on a proposal for a directive concerning the status of third country nationals who are long-term residents, also catering for the specific needs and problems of transport workers crossing borders on a regular basis;

3. Transposition of a directive concerning equal treatment between persons irrespective of racial or ethnic origin;

4. Campaigns to ratify UN and ILO conventions in the respective EU Member States and the accession countries.

B. WITH REGARD TO THE MANAGEMENT OF MIGRATORY FLOWS, THE ETUC WILL DEMAND:

5. Common criteria to grant legal status to undocumented workers,

¹ based on race, belonging to an ethnic minority, religion and nationality

and the development of measures to prevent and combat moonlighting and the exploitation of undocumented workers

C. WITH REGARD TO INCORPORATING THE ISSUES OF MIGRATION AND INTEGRATION OF THIRD COUNTRY NATIONALS INTO OTHER EU POLICIES (MAINSTREAMING), THE ETUC WILL PRESS FOR:

6. Defining quantified objectives to reduce unemployment amongst third country nationals and nationals of ethnic minorities in national plans for employment and social inclusion.

II. TO PROMOTE A TRADE UNION ORGANISATION that is capable within its own ranks of achieving equal treatment and rights for all workers irrespective of racial or ethnic origin, religion and nationality:

The ETUC together with its affiliates shall take:

A. A SPECIFIC APPROACH, WITHIN THE CONTEXT OF THE PROMOTION OF EQUAL TREATMENT AND THE PROTECTION OF HUMAN RIGHTS TO:

7. Organize recruitment campaigns aimed at migrant workers (including both those undocumented and young people), and stimulate cross border cooperation between unions

8. Increase the number of migrant workers and those of ethnic minorities taking on union responsibilities by preparing and training them;

9. Reinforce the prominent role for the networks and/or specific structures;

10. Organize trade union training sessions on policies regarding migration, integration and combating of discrimination, racism and xenophobia in order to raise the awareness of trade union actors;

11. Pay special attention to female migrant workers and to those of different racial/ethnic origin;

12. Conclude collective agreements that incorporate issues referring to the situation of migrant workers irrespective of racial and ethnic origin and religion.

B. A MAINSTREAMING APPROACH:

13. Ensure that collective agreements and employment policies in general take up and are consistent with issues of (im)migration, inclusion and equal treatment of all workers irrespective of their origin or status.

C. ALLIANCES:

14. Reinforce links with NGO's and the European Monitoring Centre on Racism and Xenophobia, to combat racist and xenophobic movements.

III. THE ROLE OF THE ETUC AND ITS INSTITUTIONS ENTAILS:

15. Exerting pressure together with all the trade unions on the European institutions in order to develop a European policy on migration, integration, and combating discrimination, racism and xenophobia;

16. Evaluating the implementation of the Florence Declaration within the context of European social dialogue and the social partners' work programme, and ensuring that it is updated and that strong recommendations will be made with regard to its implementation;

17. Organizing, within ETUCO, training courses on migration and integration policies;

18. Systematizing EU, Council of Europe, ILO and UN legislation on equal treatment and rights for migrant workers and those from ethnic minorities, (ETUI - European Trade Union Institute), and to pursue and stimulate a more active use of jurisprudence to effectuate equal treatment and the protection of human rights;

19. Gathering and disseminating good trade union practices on migration, integration and combating discrimination, and particularly with regard to collective bargaining and employment policies;

20. Following up and evaluating action points for the next Congress.



DIRECTIVE 96/71 EC on the posting of workers in the framework of the provision of services

*ETUC's position on the Communication from the Commission of
25-7-2003 on the implementation of the Directive 96/71/EC*

Executive Committee, 4-5/12/2003

The ETUC would like to raise the following points with regard to the Commission's Communication:

INTRODUCTORY REMARKS:

The ETUC wants to draw attention to the purpose of the Directive, as laid down in the preamble:

PREAMBLE:

- (1) whereas (...) the abolition of obstacles to the free movement of persons and services constitutes one of the objectives of the Community;
- (5) whereas (...) promotion of the transnational provision of services **requires a climate of fair competition and measures guaranteeing respect for the rights of workers;**
- (13) whereas the laws of the Member States must be coordinated in order to lay down a nucleus of mandatory rules for minimum protection to be observed in the host country by employers who post workers to perform temporary work in the territory of a Member State where the services are provided (...).

In an economic era in which transnational provision of services is increasingly taking place, and where because of the enlargement of the European Union very soon the free movement of workers will imply ten more EU-Member States, the objective of the Posting of Workers Directive – to provide for a climate of fair competition and measures guaranteeing respect for the rights of workers – is more than ever important.

Important to protect the workers concerned. But also increasingly important to create and maintain the confidence of the EU-citizens, that ‘Europe’ is not about organizing social dumping and competition to the bottom of the welfare state, but still aiming at the constant improvement of the living and working conditions of its inhabitants.

It is against this background that the ETUC wants to make the following comments.

COMMENTS:

The ETUC, although acknowledging the merits of the evaluation by the Commission with regard to the transposition of the Directive, wants to express its disappointment with the evaluation-procedure, and in particular with the conclusions of the Commission.

FIRSTLY,

a review should already have taken place, according to article 8 of the Directive, *by 16 December 2001 at the latest, with a view to proposing the necessary amendments to the Council where appropriate.* However, even although being two years late, the Communication of the Commission concludes that it is *premature to consider amending the Directive.*

SECONDLY,

we have noticed and been informed by our affiliates that during the evaluation phase neither the European social partners, nor the national social partners, nor the social partners of the construction

industry who have a particular interest in this Directive, have been consulted. Therefore, we believe that the Commission is missing vital information with regard to the implementation and application of the Directive in practice. Information by our affiliates shows, that in several Member States as well as in certain sectors there are major problems and unclarities around the implementation of the directive in daily practice, which need a more thorough and in-depth assessment to be able to judge the need for amending the Directive. At this stage, the opinion of the Commission, that there are only some *practical difficulties*, which will disappear in the course of time, cannot be shared by the ETUC.

THIRDLY,

the ETUC is very disappointed about the limited scope of the evaluation and the Communication document. The Communication only reports about the state of implementation, and sums up the different legislative manners in which the Directive has been implemented, thereby putting some, although important, legal questions.

However, as the ETUC already mentioned in her letter to the Commission of 18 October 2002, a real evaluation:

- should envisage the application and not limit itself to the transposition of the Directive;
- must present a summary of the strengths and weaknesses of the transposition and application, so as to be able to assess the need for taking additional measures;
- must measure the effectiveness of the Directive in its main objective of combating and preventing social dumping;
- and must furthermore assess the consistency of this Directive with the draft-directive on temporary agency work.

FOURTHLY,

The 'legal-only' content of the Communication, in which the relationship in Member States between the level of protection offered by legal provisions and/or by collective bargaining is not examined, is very unsatisfactory.

The real impact and effectiveness of the Directive is very much dependent on the choices made by Member States – allowed for in article 3 of the Directive - for a limited or extensive implementation of the Directive with regard to including (universally applicable or other) collective agreements in the body of ‘mandatory rules for minimum protection’, and how and to what extent the provisions of collective agreements in practice are used for the protection of posted workers.

FIFTHLY,

The ‘legal-only’ approach of the Commission has brought about a report in which several important issues and developments are fully ignored, thereby preventing a full assessment of the merits and faults of the Directive.

This is for instance the case with regard to the issues of social security and taxation, which are not covered by the Directive, but nevertheless have great influence on potential distortion of competition. The existing rules on the coordination of social security, according to which premiums and taxes are paid in the country where the worker – who is temporarily posted abroad - normally performs his work, may already lead to competitive advantages on the basis of the differences in tax and social security systems only. However, in many cases these rules are also applied in cases where the posted worker in reality has no ‘normal work’ in the country of origin and is only hired for the purpose of being posted to a cross border job, and therefore should be treated as falling under the tax and social security system of the host country. After the enlargement, due for May 2004, the social premium and tax gap – and thereby the stimulus for manipulation - will even further increase.

Also more in general the potential effects of the enlargement, migratory flows between the old and new Member States - especially in border regions -, and possible abuses of the free movement of persons and services by employers that make use of the existing wage-gap between Member States to underbid local and sectoral wage and labour protection rules, are not mentioned at all. This phenomenon is already taking place within the boundaries of the ‘old’ European Union. Furthermore, the Commission does not evaluate the significance of the Directive for the new Member States. The Communication only mentions that ‘in some accession countries

transposition of the Directive is seemingly well under way, while in others a great deal of work remains to be done', while promising, that 'acceding countries will be invited to participate in the governments experts group, in order to get them swiftly involved.....'.

More attention should in the view of the ETUC be paid to the question if the 'acquis communautaire' of the Directive in its current form is helpful for the new Member States, and if they expect to encounter specific problems in relation to their legislation or industrial relations systems – for instance in case of cross border posting from outside the new borders of the EU -, and if so how these should be addressed.

POSITION OF THE ETUC

Based on various contributions from its member organisations the ETUC wants to refer to the following points:

- The European Federation of Building and Woodworkers in its recent evaluation states that the Commission misses vital information on the implementation and application of the Directive, and therefore proposes to conduct a more extensive and in-depth study.
- Several member-organisations report that the Directive has in practice not prevented social dumping and abuse of cross border posting of workers. The complexity of the rules, and the many loopholes and possibilities to circumvent the provisions are of increasing concern to trade unions: for instance in France, where seasonal workers from various EU-countries or third countries are employed by UK-tour operators to work with employment contracts governed by UK-law, while underbidding French collectively agreed wages.
- Several organisations have drawn attention to the specific problems in border regions, as well as to the need to develop monitoring instruments for workers with regard to mobility and make better use of the expertise of the EURES-network.
- Other member organisations complain about the limited scope of the Directive, allowing their country to choose for a very restrictive implementation in which only minimum protection based on

legislation is applicable to posted workers, and where recent developments show that employers which reside in other EU-member states explicitly try to undermine collectively agreed minimum standards (TUC Union Amicus, UK).

- Several member organisations more in general complain about the fact that the government in their country has not adequately implemented the Directive.
- Other member organisations have recently taken steps towards their government, to express their concern with regard to the effects of the imminent enlargement and to ask for a review of the national legislation on posting of workers, to better address the potential dangers (in the Netherlands, where the Directive is restrictively implemented, the FNV has asked for a more extensive implementation of the Directive, especially on the basis of article 3 par. 10, regarding universally applicable collective agreements in other sectors than construction).
- Others report that the main problems in their country result from a lack of monitoring and controlling the national legal and collective bargaining provisions, and want to give priority in this stage to tackle these practical problems. However, they foresee that these problems might increase because of the enlargement.
- Several organisations report problems with regard to the definition of a ‘posted worker’, which is leading to unclarity about who is or is not covered, especially reporting about the abuses arising from the ‘posting’ of bogus self-employed workers.

The ETUC therefore cannot accept the general conclusion of the Commission that there are no major problems with regard to the implementation of the Directive, because there has not been a thorough and in-depth evaluation, as prescribed in article 8 of the Directive.

Such in-depth evaluation should also have taken due account of the experiences and views of the social partners at all relevant levels.

Also, the ETUC is of the opinion that the problems faced are serious, and in many countries of more than only a practical nature,

and that they will not easily 'disappear in the course of time'. On the contrary, they will probably increase.

Finally, the ETUC does not share the view that it is premature to consider amending the Directive. However, to assess the need for revision, more information is needed. This also means that in this stage it is difficult to assess which problems are only problems of a practical nature regarding the implementation, which can or should be solved on the national level, and which problems arise from the structure and provisions of the Directive itself and should be redressed on the European level.

Therefore, the ETUC is of the opinion that the Communication of the Commission on the implementation of the Directive does not sufficiently allow to judge the need for revision of the Directive, and calls on the Commission:

- to increase its efforts to monitor and to enforce compliance with the Directive;
- to initiate a more extensive and in-depth assessment of the implementation and application of the Directive, taking on board relevant studies and experiences by the social partners;
- this assessment should also look into good practice examples in various Member States - for instance with regard to tackling unfair competition and social dumping arising from subcontracting practices - by introducing joint and several liability or 'chain responsibility' for main contractors in case of a subcontracting chain;
- to present, as soon as possible on the basis of this additional research, adequate proposals to simplify and improve the existing Directive as appropriate. These should aim at better and more effectively achieving the objectives of the Directive, i.e. to provide for a climate of fair competition (a level playing field) and respect for the rights of workers within EU-15 and EU-25, in which the free movement of persons and services can thrive;
- to properly consult and cooperate with social partners at all relevant levels in the assessment, as well as in other activities regarding the implementation of the Directive such as the group of government experts.



GIVE THE RECOVERY OF THE EUROPEAN ECONOMY A CHANCE!

Relaunching the Lisbon Strategy

Executive Committee, 4-5/12/2003

A FOUR (!) YEAR SLUMP IN EUROPEAN GROWTH

1. In the first half of 2003, the European economy ground to a halt, with three member countries even going into a recession. In the second half of the year, the expected recovery failed to materialise and was once again postponed. The result is another year of poor growth, making 2003 the third year in a row in which economic growth is disappointingly low, and far below the potential growth rate, the rate the European economy can achieve without igniting an acceleration of inflation. The three-year slump has created a degree of slack—comparable to the situation after the sharp contraction of the European economy in the recession year of 1993.

2. Meanwhile, prospects for a convincing recovery remain muted. Households and workers are confronted with the overall dismantling of social benefits in several member states, increasing indirect taxes to consolidate the public budget as well as with the pressure for even greater wage moderation. This policy environment is weighing in on consumer confidence and may well result in an increasing household savings rate and not in the lower savings rate the Commission hopes for in its forecast.

3. Likewise, pinning one's hopes on the US and the revival of world growth to pull the European economy out of the slump, as happened on several occasions in the nineties, may not work this time. While US

growth is indeed accelerating, serious imbalances remain, raising questions about the sustainability of the recovery. The appreciation of the euro that took place from mid-2002 will continue to exert negative effects on exports in the coming period. And international financial markets may well prove unwilling to finance an even higher deficit of the US current account, thereby increasing the risk of a further and possibly abrupt adjustment of the euro/dollar exchange rate.

STABILITY IS NECESSARY BUT IT IS NOT ENOUGH

4. As a consequence of the ‘laissez-faire/laissez passer’ attitude that has come to dominate macro-economic policy over recent years, and which failed to shield the economy adequately from negative shocks, the European economy is now facing a disturbing paradox. With investor and consumer confidence at low levels, the private sector (on the level of the euro area) is now recording an enormous surplus in aggregate savings of 3,8% of GDP. In other words, an amount of 250 billion euro in savings is not taken up by the private sector and is not being used for investment that would support sustainable growth and increased job creation. Instead, it is the public sector that is taking up the excess savings of consumers and corporations in the form of a public deficit of 2,8%. The remaining part of the private sector surplus goes to the rest of the world as a surplus on the current account of 1% of GDP. In other words, instead of supporting jobs and investment in Europe, the European private sector is co-financing the recovery in the US. This reflects both the still sluggish investment activity and additional saving in the face of economic uncertainty. The figures highlight the role of active monetary policy in translating aggregate savings into investment. They also show that the fiscal deficit is currently not a policy problem but the inevitable result of economic policy in other areas.

A FIRST STEP IN RELAUNCHING THE LISBON AGENDA: INVESTING IN EUROPEAN INFRASTRUCTURE AND NETWORKS

The experiences of the last years clearly show that Europe needs to address structural but also cyclical problems. The European

economy needs initiatives to kick start the economy in the short run, so that the already existing growth potential can be used, as well as policies that sustain non-inflationary growth in the medium run.

5. As a first step in providing a two-handed policy approach, the ETUC welcomes and fully supports the recent growth initiative of the Commission on investing in European infrastructure and networks. This initiative signals to investors and consumers that European policy is still concerned with the objective of growth and not only with monetary stability. As such, the initiative has the potential of boosting confidence in the short run. At the same time, the Commission's proposal will also raise Europe's medium-run growth potential by investing in both traditional and modern infrastructure projects as well as by bringing the target of 3% of GDP investment in research and development closer. A further positive point is that the dimension of sustainable development is now being included.

6. Another improvement to be made concerns the issue of financing. The Commission's plans to involve the private sector in the financing of the initiative raises questions as to whether the European Investment Bank is the right vehicle and whether private financing itself will be sufficiently forthcoming. Another and more promising way to unlock adequate financing is the European official budget itself. Although the European budget is relatively limited, the ETUC stresses that major financing for European investments can and should be found by shifting the present European expenditures away from agricultural subsidies, which make up the lion's share of total expenditure on the European level.

7. The ETUC calls upon the European Commission and Council to improve this initiative further by:

- Investing in human capital by supporting collective agreements on training for workers. If the innovation economy is to succeed, lifelong learning and re-training of workers is essential.
- Investing in personal services ('les services de proximité') by improving its overall framework conditions. The development of the services sector in Europe is key both towards higher employment rates as to improving social cohesion with an ageing population.
- Investing in social renovation of main city centres.

... THAT NEED TO BE STRENGTHENED BY A SENSIBLE READING OF THE STABILITY AND GROWTH PACT ...

8. Considering the time lags that are involved with these European investment projects and the fact that the annual impact on the European economy is limited to 3%, there is a need to go further. At this moment however, the way the Stability and Growth Pact (SGP) is now constructed is keeping the hands of governments effectively tied.

9. The ETUC does recognise the need for coordination of fiscal policies in EMU. And it is equally convinced that the SGP should remain the instrument for such coordination. But we strongly object to a rigid reading that transforms the Pact into an instability and anti-growth pact by:

- forcing governments to tighten fiscal policies when the economy is doing poorly and when aggregate savings already abound and go unused.
- driving those countries that contribute the most to overall low inflation in the euro area further into disinflation and eventual deflation.
- preventing countries from making Europe the most innovative economy by restricting their ability to increase public investment.

10. Therefore, the ETUC stresses the need for following clarifications to the SGP:

- Excessively low inflation has to be defined as an exceptional circumstance for

which the excessive deficit procedure does not apply. This would help to avoid countries that are already on the brink of deflation from getting caught in a deflation trap.

- Countries that have low or sustainable debt should be allowed to apply the 'golden rule'. Provided these countries specify a public debt plan that projects the evolution of the debt ratio over time, these countries should be given the possibility of running deficits that finance (increased) public investment.

- Europe needs anti-cyclical, not pro-cyclical policies. Therefore, fiscal policy strategies should make more use of the ‘structural’ deficit (the deficit that is corrected for the influence of the business cycle) as the policy objective and not of the deficit as such. This is of particular importance concerning the 3% limit in the excessive deficit procedure.
- Finally, the focus of the SGP should shift to prevention. The SGP should mainly ‘bite’, i.e. enforce discipline and provide for sanctions, when countries neglect to bring deficits forcefully down during an economic upturn.

10.Bis. Combing the Commission’s growth initiative with the clarification of the SGP opens the way to support the recovery by enabling public investments to be increased by 1% of European GDP.

...AS WELL AS BY CONTINUING SUPPORT FROM THE SIDE OF MONETARY POLICY ITSELF

11. Monetary policy needs to support the recovery. The ECB should not repeat the mistake of increasing interest rates at the first optimistic forecast of a recovery. Having failed to reduce interest rates sufficiently quickly in the recent downturn, which contributed to an appreciation of the euro despite the weakness of the economy, the ECB should now support fully the process of recovery. In particular, the ECB should now watch developments on the appreciation of the euro on exchange markets closely and stand ready to intervene in a timely and adequately way. The ETUC welcomes the downgrading of the so-called monetary pillar of the ECB’s strategy in the spring of this year but is worried that the ECB is now pointing to the presumed ‘overhang’ of liquidity. In doing so, the ECB seems to be preparing the markets for another round of interest rate hikes. It would be the end of the recovery if the ECB were to play ‘follow-my-leader’ and raise rates to match the hikes in countries whose economies are growing much faster and where unemployment is substantially lower.

WAGE FORMATION HAS BEEN AND STILL IS A PART OF THE SOLUTION

12. The ETUC rejects the criticism that wage increases and collective bargaining are responsible for ‘high’ and persistent inflation in Europe and thereby cause a ‘stability’ conflict with the central bank that explains the present slowdown. With an average and stable rate of increase of about 2.5% over 2000/2003, collective bargaining has indeed taken up its responsibility. The inflationary pressures coming from the oil shock and the euro appreciation have effectively been contained. What did happen is that the ECB has triggered a ‘growth’ conflict. Instead of appreciating the efforts of workers, imaginary inflation dangers were addressed by keeping demand, growth and productivity low.

13. The ETUC believes that there is a need to strengthen the European coordination of collective bargaining as well as to act in each country in order to obtain real increases that are in line with productivity developments in a context of price stability. Also, the interaction with other policy actors such as central banks and governments needs to be improved urgently in order to obtain a positive response from other policy actors and, consequently, a growth and employment-friendly policy mix. At the same time, the ETUC stresses that the contribution of wage formation to growth also means ensuring that workers and households have the purchasing power that is necessary to keep the economy going. Wage formation has indeed the double function of helping to underpin price stability while at the same time providing growing demand to the economy.

THE EUROPEAN SOCIAL MODEL: TAKING THE HIGH ROAD TO INNOVATION AND PRODUCTIVITY

14. High and sustainable growth implies policies that improve the growth potential. But in reaching the Lisbon objectives of high growth, the ‘high’ and not the ‘low’ road has to be taken. All workers and not just a minority of workers have to take part in and support the innovative and competitive economy. The ETUC rejects the calls for systematic and unfettered deregulation of markets and in particular

the labour market. The ETUC does not believe that a return to the ‘free labour markets’ of the nineteenth century is the way to move the European economy into the twenty-first century. Left to itself, ‘the market’, with its numerous imperfections, will not boost productivity or innovation. Nor will the outcomes be acceptable in social terms.

15. Instead, the ETUC calls upon policy makers and employers in Europe to use the instruments of social dialogue and collective negotiations in order to accelerate the process of innovation and productivity increases in the European economy, resulting in high sustainable growth and the creation of productive, good-quality jobs. The most successful European economies clearly show the positive role played by strong labour market and social institutions, and social dialogue with an inclusive and constructive labour movement. The ETUC reaffirms its support for the European Employment Strategy as a means of reforming, with the close involvement of trade unions, European labour markets to promote the objectives of ‘more and better jobs’ and an effective and sustainable welfare state.

16. The ETUC agrees that competitiveness is indeed necessary in a globalising world and important to strengthen the European social model. However in defending and improving competitiveness, the high road building upon “high productivity, high quality of goods and services and high wages” has to be taken, and not the low road. In this context serious arguments and facts have to be addressed:

- The World Economic Forum, in their latest report, ranks EU countries in the major league of the most competitive economies!
- High export figures confirm the quality, productivity and competitiveness of the European Industrial base!
- Despite its high level of social protection, the euro area runs a surplus on its current account of 1% of GDP while the US is running a massive deficit!

17. The ETUC stresses again the need for the strengthening of an innovative European industrial policy. Industrial policies have an important role to play in achieving the goals of the Lisbon Strategy. Under circumstances of weak growth in Europe, the goal of a return to full employment and the goal to strengthen the European Social

model can be achieved only on the basis of a wide-ranging policy mix, in particular, it needs to coordinate macro-economic and structural policy frameworks and to encompass industrial policy.

CONCLUSION: EUROPE IS MASTER OF ITS OWN DESTINY AND SHOULD START ACTING ACCORDINGLY

18. Over the last decade, Europe has built the institutions to make it master of its own destiny in the face of an increasingly globalised economy. The internal market created an economy without frontiers. And the single European currency eliminated the constant threat of exchange rate speculation that set European countries against each other. Europe is now an economy where domestic demand, not extra-European exports, is the main pillar. This opens up the possibility of a two-handed economic policy approach where supply and demand policies are implemented. Instead of chasing the inflationary ghost of the past and relying on what might or might not happen in the rest of the world economy, European policy makers should take up the challenge of a homemade recovery of the European economy.

FUTURE OF THE UNION



Europe is at a crossroads. The Constitutional Treaty, the result of the European Convention, has been transmitted to the Italian Presidency. Former ETUC General Secretary, Emilio Gabaglio, worked very actively in the Convention in his capacity as an observer and reported on the outcome at the last Steering Committee meeting. His preliminary assessment was circulated to all ETUC member organisations towards the end of July.

1. Since the end of the Convention, the discussion on the future of Europe has been focussing on the question of whether or not the IGC should modify the Convention text . Some are calling for the text to remain as it is, whilst others are demanding renewed debate and the introduction of amendments.

2. ETUC recognises that Part I and Part II of the Constitutional Treaty are indeed the result of a political compromise in a given political, social and economic situation, reflecting a balance of power which has not changed since the end of the Convention. These issues were discussed in depth at the Convention and constitute a fragile equilibrium and if such a Pandora's box is reopened at the IGC, it will be impossible to close again. The basic work of the Convention should not be jeopardized and the employment and social achievements are, in any case maintained.

3. However the discussions on Part III, concerned with EU policy, were subjected to time constraints and limited by the mandate, following the refusal of the Thessaloniki European Council in June 2003 to extend the deadline by several weeks and because the Council restricted any modifications to "some purely technical work". Therefore the Convention neither had the time, nor the mandate to work on Part III. This is why ETUC is asking the IGC to ensure consis-

tency between Part III and Part I and to make sure that the text better reflects the role of the social partners as recognised by Article I-47. This unfinished business requires further work to be done on details of Part III.

4. The challenges that Europe faces (economic recession, high unemployment, etc.) necessitate the delivery of effective instruments for improving the coordination of economic and employment policy. Therefore the Commission's role must be strengthened. As regards economic governance, the IGC should take further steps, especially with regard to the coordination of economic policy in the Euro zone.

5. EU decision-making must become more efficient. In an EU of 25 Member States it will prove almost impossible to reach unanimous decisions. This is particularly pertinent in certain areas of taxation and social policy, which are crucial to building a stronger social Europe. It is impossible to build a stronger EU on a weaker social pillar. Therefore ETUC is calling upon the IGC to extend qualified majority voting in these areas. And ETUC stresses the need to pay particular attention to gender equality in the Constitution.

6. ETUC is demanding that the language of Part III be made to correspond with Part I: The concept of full employment has to be introduced in the employment chapter (Articles 97, 98, 99, 100), and the concept of the social market economy needs to be incorporated in Articles 69, 70, 77. Consideration should also be given to awarding the social partners access to the European Court of Justice (Article 270, 274) and to wording the social partners' agreements more precisely (Article 106).

7. ETUC affiliates should put pressure on their governments to make Part III tally with Part I, especially as regards new tools for economic governance, qualified majority voting on social and fiscal policies, and the adaptation of Part III to the innovations introduced in Part I (for instance Part III is not in line with the provisions of Article I-14 on the coordination of economic and employment policies).

8. As the ETUC has made absolutely clear to the Italian Presidency, trade union support will be heavily influenced by the consequential amendments made on Part III.

9. Finally ETUC strongly underlines the need for the IGC to work in an open, transparent manner so that the public is fully informed of its deliberations.

EUROPE AND THE WORLD



DEMOCRATIZING GLOBALIZATION

A WORLD WITH PEACE, JOBS, RIGHTS AND SOCIAL JUSTICE

Trade Union¹ Statement to the World Social Forum (Porto Alegre) and the World Economic Forum (Davos), January 2003

One year after the last meetings in Porto Alegre and Davos/New York the world has fallen still further away from achieving the objectives of decent work for all and the goals of the UN's Millennium Declaration, agreed to by all nations as basic objectives for a better world.

On present policies there is no prospect of eliminating poverty, launching sustainable development processes, creating more and better jobs, or improving the lives of working women and men. And deepening social injustice is fuelling intolerance, extremism, xenophobia, tensions and conflicts around the world. To the dangers of financial and economic instability is added the spectre of war.

The international trade union movement calls on all governments to make every effort to achieve, within the United Nations framework, a peaceful solution to the Iraq crisis, to avoid a devastating armed conflict. At the same time, Iraq must comply fully with all the relevant UN resolutions, particularly regarding arms of mass destruction.

¹ This statement has been endorsed by the GLOBAL UNIONS GROUP - including the International Confederation of Free Trade Unions (ICFTU), the Global Union Federations (GUFs) and the Trade Union Advisory Committee (TUAC) to the OECD); - the WORLD CONFEDERATION OF LABOUR (WCL); and the EUROPEAN TRADE UNION CONFEDERATION (ETUC). The Global Union Federations comprise UNI, IFBWW, IUF, IMF, PSI, EI, ITGLWF, IFJ, ITF and ICEM.

The record of development today is one of failure in every respect. And unless the international community finds the capacity to react, the failures will continue and one year from now the achievement of better living standards, decent employment and the Millennium Development Goals will be a still more distant objective.

But that doesn't have to happen.

The international trade union movement calls for urgent action to provide effective governance of the global economy and to guarantee fundamental rights and the creation of decent work.

The illusion that an unregulated global market economy will provide a better life for all has been challenged increasingly, and today stands discredited. Our task is to overcome the self-interested resistance of those who refuse to accept that reality and to achieve implementation of the policies to take us towards a better world. Our responsibility is to combine protest against that which is unacceptable with engagement, dialogue and action to improve working conditions and living standards.

Corporate collapses such as Enron, and the huge fines imposed on Wall Street in recent times, have highlighted systematic failures of financial and corporate governance and the widespread existence of incentives for malpractice. Business leaders are not sufficiently accountable, as massive pensions fraud has shown, and vast numbers of employees have suffered grievously as a result. The multi-lateral system must ensure that they are fully accountable to all their stakeholders. The global market now needs binding rules anchored in established rights and responsibilities. The international community can no longer persist in its failure to put them in place and implement them fully.

Globalization needs governance so that citizens everywhere enjoy guarantees of their fundamental rights, and the rule of law. And governance has to be rooted firmly in democracy. Central to global governance is the need for the IMF, the World Bank and the WTO to act in concert with the UN system, and for these institutions to be made more transparent and democratically accountable.

Democratic and transparent governance needs to be established, on the basis of the involvement of the social partners in genuine social dialogue, and a strong role for the state and public authorities, particularly as concerns the quality of basic public services. Vital services like education, health, and water must not be subject to the dictates of the market and must be universally available for all citizens.

The international institutions must contribute to the balanced economic and social development of all countries, with trade and the use of natural resources taking place in the framework of sustainable development policies that respect the environment, in both producer and consumer countries.

Governments that deny their citizens their democratic rights, and particularly their rights as workers, need to be denounced as enemies of justice and development. A global system which pays no heed to those rights has to be condemned equally. Some will seek gain and profit from these injustices. But this situation cannot endure. Ultimately there is an overriding and shared interest in rights and democracy as the foundations of global governance. At the heart of that shared interest is the preservation of lasting peace.

Fair and balanced dialogue is central to achieving real results. Dialogue between nations. Dialogue between those with different perceptions of how to bring change. Dialogue between employers and unions, including negotiated agreements at global level, and tripartism on the basis of the principles of the ILO, as well as implementation of important standards like the OECD Guidelines for Multinational Enterprises. Dialogue built on trust, confidence and full recognition of workers' rights, especially fundamental rights such as the right to organize and to bargain collectively.

The international trade union movement has a common message to Porto Alegre and to Davos. Vision, political will and the necessary capacities must be brought together at the global level to attain development and guarantee decent work for the millions of workers who today live in precariousness and poverty without prospects of a better future. That will require resource commitments as well as commitments on paper. It will require governance systems to promote

our common good, our rights and democracy. It requires effective democratic processes, and it requires dialogue to make it happen. We will press the WEF to address the need to globalise social justice. At the same time, we will contribute in the WSF to finding constructive approaches to democratising globalisation in the interests of all working people.

Trade unions demand respect for working people and their families, dialogue, consultation and recognition of democratic and workers' rights. Change in living and working conditions will not come through charity or paternalism. Real progress can only come through the involvement of people in their own development and in defence of their own interests, and in reinforcing international solidarity (particularly to achieve an increase in development assistance and a reduction and, where possible, cancellation of the debt of developing countries). This requires organisation, inclusion and engagement rather than exclusion and impoverishment. It requires respect of the right of workers to form their own trade unions and to influence their own futures. It requires respect for the rights of all people and all peoples to live without discrimination and exploitation. It requires respect for the earth itself and for its resources. And it requires equity, justice, and solidarity.

The very moment the hostilities have started in Iraq, the ETUC reaffirms their opposition to this US, UK and Spanish led war which lacks international legitimacy.

The ETUC continues to believe that the legitimate goal of the international community to disarm the Saddam Hussein regime could have been achieved by peaceful means if the United Nations would have not been sidelined, the political process stopped and the inspectors prevented from completing their task.

The ETUC calls on its affiliated organisations to react to the outbreak of war by all means within their possibilities including work stoppages, strikes and demonstrations starting from tomorrow and continuing in the coming days as well as to join in other mass mobilisations to regain peace.

The ETUC deplores the divisions which have prevented the European Union to play a positive role for a peaceful outcome of the Iraq crisis and urges the European Council meeting in Brussels today and tomorrow to find the necessary convergence of views to ensure that the UN will be in charge of the reconstruction of post-war Iraq and in helping the Iraqi people to freely decide on the future of their country.

The ETUC urges the EU to make every possible effort to provide humanitarian support for refugees from Iraq and trade unions to contribute to relief funds for the war victims.

At the same time, convinced that a just solution of the Middle-East conflict is long overdue, the ETUC calls upon the European Council to

give a strong commitment for the prompt implementation of the “road map” conducive to the establishment of an independent and viable Palestinian state alongside a state of Israel living in security.

This is the real response to be given for a future of peace and democracy in the Middle-East.

The ETUC will continue to uphold the role of the United Nations for the promotion of peace, rule of law and human rights. The ETUC stands ready to take further actions.

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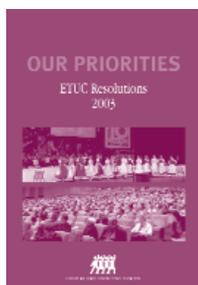
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