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The EU: Is a People's Europe Still Possible? **A Trade Union perspective**

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This paper is not an academic study. It is an activist comment and intervention from the perspective of a large public sector trade union engaged in campaigns to resist austerity measures within our own country (the UK) and across Europe.

We trace the threat to the future of the EU to the adoption of the European Constitutional Treaty (ECT) and its key provisions. From that, we argue that the European Union is itself now a threat to European social cohesion and the earlier achievements of its own "Social Europe" model, and that if the structures and policies of the EU are not to alienate ever more workers and voters, leading to a rise in nationalism and xenophobia, a radical alternative is vital.

For those who believe, as we do, that the ECT is an illiberal, anti-democratic instrument that encodes free market fundamentalism into the DNA of the European Union, the final ratification of the Treaty in late 2009 was a disappointing yet not unexpected development. In the only valid democratic tests to which it was exposed (the French, Dutch and first Irish referenda), its provisions were clearly rejected by those electorates privileged enough to be given a say. That the adoption of the ECT hinged entirely on the second Irish referendum – in which every major political party, every business and trade union leader, and every major print and electronic media outlet supported the "Yes" vote – was by objective standards a rigged election, and would have been easily identified as such if conducted in, for example, Zimbabwe or North Korea.

The seeds for the regressive, neo-liberal provisions of the ECT had been laid by the direction of the European Single Market. The development of the Single Market began with proposals for financial and labour market deregulation. As the right-wing agenda for Europe gathered pace, Article III-116 of the Nice Treaty (2000) specifically subjected European Public Services (or "Services of General Economic Interest") to competition, regardless of whether it would be more beneficial for such services to function for socially responsible and non-

profit reasons. Member States were forbidden to pass or keep on the statutes laws contrary to the Treaty's intention.

It is the Commission (i.e. appointed commissioners and unelected civil servants) not the Parliament who decide "*the application of this article and adopt appropriate European Regulations and decisions*". This process was summarised by Susan George in "*The Betrayal of Social Europe*" (Contribution to the Encuentros de Salamanca, June 2006) - "*The European Commission is the executor of these policies, with the collusion of the great majority of European member states, all of which are influenced by business and financial elites whose lobbies are omnipresent in Brussels*".

The inevitable regulations and decisions have emerged, most famously the proposed Directive on Services in the Internal Market aka the "Services Directive" with its controversial "country of origin" principle which, had its initial text been adopted, guaranteed at a stroke a race to the bottom for labour regulation and employment law. Only a mass-based cross-European campaign led by the ETUC, the PES and others managed to remove the most socially damaging parts of the Directive at the last moment.

This was a welcome, though atypical, reversal of the march of free-market dogma over the protections of Social Europe. More telling has been the contortions necessary to impose the ECT on unwilling European electorates (to the extent that constituency can be measured, given its only outlet of opinion on the Lisbon Agenda's direction of travel was the French, Dutch and Irish referenda).

European trade unions have already been adversely affected by the ECJ's ruling in the "Viking" case that created a potential liability for collective action, an historic step backward for progressive employment relations and a crushing blow to those who argued in the past that the EU had a strong social dimension. The ECJ's ruling in the "Laval" case, that a Swedish trade union could not take collective action to require a Latvian contractor to observe the terms of Swedish collective agreements in the construction sector, also had negative implications for the right to bargain collectively. Hitherto that right had been safeguarded by the EU Charter of Fundamental Rights, which the ECJ ignored and in effect rescinded.

It is no co-incidence that the mantra "free and undistorted competition" occurs no less than 24 times in the ECT, leading off in Article I-3 as one of the fundamental objectives of the EU. This would appear to be the first time a constitution of this type has mandated - as a principle in a founding document - not simply an abstract goal such as freedom or equality, but a specific economic model. Surveys of European Public Opinion towards the EU (such as the Commission's "Public Consultation on a Future Single Market Policy: summary of

responses", October 2006) usually assume support for the principle of the Single Market, focusing instead on which specific policies will make it most effective. The question of whether there should actually *be* a Single Market guided by "free and undistorted competition" is not put.

As a result European social dialogue is increasingly a charade, and Social Partnership – in the sense proposed by Delors - is now virtually non-existent. Hence the trade unions in many Member States – once a "social partner", now an alienated and excluded voice in the wilderness – are disengaging from a European project that once promised a better future. In its *A New Deal for Social Policy: the ETUC's contribution to the Preparation of the Renewed Social Agenda* (March 2008) the ETUC examined the move from Social Europe to free market fundamentalism under the right-wing mandate of the Barroso Commission, and concluded "*We have moved from a Social Action Programme, with clear objectives, clear measures, clear instruments, to a Social Policy Agenda and finally to a Social Agenda*".

Now there is barely even that. In view of this, we argue that European trade unions urgently need to re-examine their commitments to EU processes and structures, forge cross border links with all national trade unions resisting public spending cuts, and formulate a counter consensus and alternative agenda for European labour.

If the EU wishes to re-engage its disillusioned populations and return to the progressive vision of Delors, it needs to a) democratise its policy making institutions, b) implement a Europe-wide regulation of financial and capital markets, and c) prioritise employment rights and social justice over the negative freedom of employers to evade social responsibilities and collective agreements. That agenda needs to encompass a programme of public ownership and long-term planning for social benefit, within and between Member States. Clearly this will require socialist and social democratic parties to adopt more critical positions towards the EU.

This alternative agenda is even more vital given the seismic shifts in the European economy since 2009, and the EU's commitment to imposing an austerity measures on Member States. In response to the debt crisis, the Commission hardened its already neo-liberal economic philosophy and adopted tougher rules to implement the EU Stability and Growth Pact, including fiscal rules "conducive to compliance with the deficit and debt thresholds".

The key elements of the pact remain the two limits on public sector deficits (3% of GDP) and public sector borrowing (60% of GDP). Member States who are judged not to have reached the Medium Term Budgetary Objectives are expected to take drastic corrective measures, and if a country fails to keep to the agreed rate of growth of its public expenditure (in itself a radically new

principle and benchmark in EU policy) it will be subject to a formal warning from the Commission, and eventually enforcement through the sanction of paying an interest bearing deposit amounting to 0.2% of GDP.

We entirely agree with the EPSU Executive Committee's view that *"This is purely a budgetary and economic exercise with no account taken of wider social and employment issues. The focus is still on fiscal consolidation without there being a coherent strategy to bring Europe as a whole out of the crisis"*. It is an intellectual and political failure of imagination, promulgating rules and policies that are undermining and effectively destroying long standing social protections in Member States who, given a free choice, would opt to preserve a decent level of social spending. They remove the democratic right of electorates in Member States to make political and economic choices that put people before profit and communities before the dictates of the bond markets.

This policy agenda was solidified in January 2011 when the Commission Annual Growth Survey recommended stern austerity measures, i.e. deficit reduction through cuts. Following this, the Council of European Union proposed Enhanced Economic Policy Coordination to drive forward cuts and austerity rather than social investment as the solution to the debt crisis.

These policies are designed to protect European financial elites at the expense of the vast majority of the European people. They have also destroyed initiatives such as the 2010 Year of Combating Poverty and Social Exclusion. For the poor and socially excluded of the EU, this was a cruel joke. To confirm this, the European Anti-Poverty's Network's (EAN) February 2011 report *"Is the European Project Moving Backwards?"* finds that EU government's austerity and deficit reduction policies "make the poor pay and undermine a sustainable recovery".

To take one national example, a study commissioned by the Joseph Rowntree Foundation (UK) in December 2009 demonstrates that "hundreds of thousands more adults and children will be in absolute poverty by 2014. The report foresees "a rise in absolute poverty of nearly one million, including 200,000 children and half a million childless adults".

It is European youth who are particularly hard hit by cuts to social protection. According to the latest figures from Eurostat, youth unemployment across Europe has increased by 25% since 2008. In total, 20.5% of young people between 15 and 24 are seeking work in the 27 states of the EU. These are the human casualties of the debt crisis and of the EU's policies to deal with it.

There is increasing cross-Europe concern and protest about the effects of austerity measures on the social cohesion of the EU. The Austrian newspaper

Der Standard commented "Governments are showering billions into the markets with one hand to keep our resident devil, the Dow Jones, happy. With the other, they're slashing social benefits. That policies of this sort are received as pure cynicism in countries like Spain, Greece and Britain, where youth employment is around 44, 38 and 20 percent respectively, is a puzzle for the minuscule elite, who discuss the difference between frustrated protesters and criminals over tea while worrying only about the state of the money markets".

The "minuscule elite" continue to prosper. To take just one example, the EAPN in Denmark found that the poorest 10% had experienced an average negative annual growth in disposable income of 0.9% since 2001 whereas the richest 10% of the population has an annual real income growth of 3.3%. "The general trend, already dominant before the crisis, is reinforced: a growing divide of the country in terms of capital, education, service, investment, geography." (EAPN, 2011)

Whilst the UK government seeks to cut social spending to the bone, wealth inequality has reached proportions unseen since the 19th century. Prem Sikka, Professor of Accounting at the University of Essex, has produced highly useful analysis of not only wealth and pay inequality in the UK, but also economic alternatives to austerity measures that will, inevitably, perpetuate and deepen such inequality. In a powerful article in the *Guardian* (*The ultra-rich could solve this financial crisis*, December 2010, reprinted by the Left Economics Advisory Panel), Professor Sikka puts the cuts in public sector jobs and the accompanying pay freeze in the context of the findings of the *Sunday Times* Rich List, which reports that in 2010 the collective wealth of the 1,000 richest people in the UK rose to £335 billion.

Professor Sikka calculates that given the massive personal fortunes of the 1,000 richest people in the UK, they could all very easily stand to lose 25% of that wealth (approximating to £84 billion) with no effect at all on their quality of life. This one redistribution of wealth would, by itself, reduce and virtually eliminate the need for massive spending cuts to address the deficit.

Needless to say the no European government, nor the European Commission, are remotely interested in pursuing policies of wealth redistribution and tax justice as a response to the economic crisis. In that context, we support EPSU's response to the austerity agenda promoted by European policy elites, outlined in the EPSU Tax Justice Charter, which is that "*The (European) Government's austerity responses will suck demand out of the economy, fail to support the jobless and put at risk of poverty public sector employees, and will also reduce tax revenues. Yet tax revenues are essential to tackle public sector deficits*".

We also endorse specific European trade union proposals such as the ETUC's proposals to make European governance a more democratic process and to remove the automatic nature of sanctions, and EPSU's proposals for an EU common strategy to increase tax on corporate profits, more corporate responsibility (transparency to prove not utilising tax loopholes, havens etc), and a Financial Transaction Tax

However, we question if even these policies will be enough given the free-market fundamentalism now stitched into the very fabric of the EU through the clauses of the ECT, a document that altered the structure and ethos of the EU away from the "Social Europe" model towards the "shock doctrines" of Freidman, Hayek and Wall St. In this context, we argue that the mass protests of the Greek people are the authentic voice of European democracy and of progressive European politics. We support them, and hope they spread to other Member States faced with austerity measures and cuts to social protections.

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