



11th BIENNIAL CONFERENCE

The current crisis in Europe is seriously disrupting industrial relations.

What solutions and what role can social actors play to pull through?

REPORT ON THE DISCUSSIONS OF THE MADRID SEMINAR

18 September 2014

© Lasaire, Paris-Saint-Etienne - *Reproduction authorised provided the source is mentioned*

With the support of



In partnership with



Comité économique et social européen



confederación sindical
de comisiones obreras



**THE CURRENT CRISIS IN EUROPE IS SERIOUSLY DISRUPTING
INDUSTRIAL RELATIONS**

**WHAT SOLUTIONS AND WHAT ROLE CAN SOCIAL ACTORS PLAY TO
PULL THROUGH ?**

TABLE OF CONTENTS

PRESENTATION	Page 5
THE TREND OF INDUSTRIAL RELATIONS IN THE CURRENT CRISIS IN SPAIN THE ONGOING TRANSFORMATIONS	Page 7
HOW CAN THE SOCIAL PARTNERS GET INVOLVED IN THE SEARCH FOR ECONOMIC, SOCIAL, INDUSTRIAL AND FINANCIAL SOLUTIONS IN THE FACE OF THE CURRENT CRISIS IN SPAIN AND AT A EUROPEAN LEVEL?	Page 14
CONCLUSIONS	Page 22

PRESENTATION

- ❖ **Marcos Peña**, President of the Spanish Economic and Social Committee, stressed that we are experiencing a crisis of democracy and a crisis of confidence and that in the context of this crisis the social partners have an important role to play. He added that it is important to put forward a certain demand which, it must be admitted, will perhaps seem rather old-fashioned, and that is centralised bargaining.
- ❖ **Jean-Cyril Spinetta**, Chairman of Lasaire, described the basic aim of Lasaire: to find a way out of the crisis from the top.
- ❖ **Ramón Gorriz**, Trade Union Action Confederal Secretary of the CCOO, Spain

Allow me first and foremost to thank the Chairman of the Economic and Social Committee for hosting this conference at the headquarters of the ESC on the occasion of the 11th Lasaire Biennial. I would also like to express my gratitude to all the people who are here present with us, not forgetting the Workers' Commissions (CCOO) and the UGT, who organised and are participating in this event.

These meetings provide us with an important forum for discussion of the possible ways of dealing with the crisis and the role of the social partners in this regard. For almost seven years the crisis plaguing Europe has transformed the growth and production models and the social model that currently exist in Europe.

The grave crisis that Europe is experiencing is transforming the industrial and social environment. Collective bargaining between the social partners and social dialogue have been hamstrung not only by the economic and social crisis and by the limits imposed by the crisis but also by the consequences of the austerity measures taken by governments within the framework of the Troika.

The actions of governments, including the policy adopted by the Spanish government, have moved us in the opposite direction from the direction proposed by the trade unions. The succession of structural reforms and budgetary restrictions imposed without consultation are undermining the fundamental pillars of democratic societies.

The reform of the labour market that was approved in Spain has not reduced job losses, nor has it encouraged indefinite employment contracts. Furthermore, it has not allowed us to make any headway, through a process of negotiations, in creating more flexible labour relations. Also, there have been no new jobs and no reduction in part-time work. On the contrary, we have seen an increase in the number of redundancies.

The fact that judicial oversight is being exercised less and less stringently and that the administrative authorities are not playing their role has allowed employers to play the job destruction card all the more effectively. Indeed, the judicial system has even dismissed cases on the pretext of a lack of administrative rigour.

The few jobs that have been created in the services sector are of the seasonal and temporary variety, and the jobs that have disappeared have mainly been based on indefinite contracts, which means that employers are tending to recruit less and less on the basis of indefinite contracts and more and more on the basis of part-time contracts. All this is a consequence of the total deregulation of the labour market.

The trade union organisations object to the austerity policies and propose in their place a European social dimension defined in a recovery plan that encourages sustainable growth and an investment plan put forward by the ESC aimed at creating jobs, ending inequalities and eradicating poverty and job insecurity, while guaranteeing respect for trade union, social and economic rights through collective bargaining and social dialogue.

In the view of the trade unions, the objective must be to rebuild the social foundations that have given legitimacy and imparted a political dimension to the welfare state, to the European social model.

The aim is to create a new social and economic contract that includes safeguards as regards employment, wages, pensions, social protection for the unemployed, education and public health. To achieve all this, fiscal policies must be set in place that are designed to ensure a genuine redistribution of wealth, to tax those who have the most, to create quality jobs and to make social consultation the focus of collective bargaining and the exercise of workers' rights.

In order to achieve this aim, there can be no doubt that Europe must carry out a sweeping democratic reform, establish a new constitutional process and create broad-based alliances among the social partners and other social stakeholders.

The Workers' Commissions believe that the way to get us out of the crisis is to recover both the ground that has been lost in terms of social intervention and the gains that have been lost.

For all these reasons, I am pleased that this conference is taking place and I hope that the exchanges of views and the discussions on the different issues that will be raised will consolidate the social dimension of the European Union.

We wish you every success.

❖ **Antonio Ferrer**, Confederal Secretary of the UGT (Spain), described the dire situation in the country, with 5.6 million unemployed and at the same time a recent increase in seasonal work linked to tourism.

Temporary and part-time work are leading to an increase of inequalities, with a poverty rate of 20% (26% among young people).

Our social model is in jeopardy. It is being replaced by economic governance. There is no longer any social dialogue. The agreements signed in 2012, which could have served as a European model, have been brushed aside.

Europe's situation is going from bad to worse, and we are now experiencing deflation and an increase in unemployment and poverty.

It is hoped that the European investment plan proposed by Juncker will succeed in redirecting European policy.

❖ **Roger Briesch**, Europe Delegate, Lasaire, France

This 11th Biennial is part of the series of Lasaire conferences entitled "Europe-Work-Employment" and follows up on the work that was started at the 10th Biennial in 2011/2012, which focused on the role of the social partners in finding a way out of the crisis.

In addition to the need to relaunch the industrial policy in our countries and at a European level, the priority was to strengthen the role of the social partners, not only in the area of economic analysis but also in terms of the proposals they would be called upon to formulate.

Much emphasis was placed on the need to strengthen European integration and to make it more amenable to our objectives.

The purpose of this 11th Biennial is to continue the work that has been initiated and therefore to identify more clearly at European level the reality of the transformations taking place in the field of industrial relations and to define ways to ensure social integration and to increase solidarity.

The Biennial will therefore provide a forum for discussions with the European social partners, the employers' federations and the trade union organisation of the SCO, at national and at supranational level, concerning their practices, their role and their intervention in strategic economic and social issues for the future of Europe in the context of globalisation.

The aim is to exchange ideas and compare the results of the actions undertaken by the social partners and the representative institutions of the SCO in order to find alternative solutions that will pave the way for genuine progress and thus restore the confidence of workers and citizens in the process of European integration, without which there will be little or no chance of success.

Against this background, the topic of this eleventh Biennial in the Lasaire series on the theme "Europe-Work-Employment" is: "The current crisis in Europe is shaking up industrial relations. What are the solutions and what can the social partners do to find a way out of the crisis?".

The topic can be subsumed into 3 key issues:

1. The trend of industrial relations in European countries.
2. What is the desired approach to the organisation of labour and management within companies? In what way should workers participate in management bodies and collective negotiations to improve economic and social efficiency?
3. How should the social partners be involved in the search for alternative solutions to the austerity policies driven by the Troika (IMF-ECB-EUROPEAN COUNCIL)

These 3 topics were discussed during the preparatory seminars at the Paris conference:

- An initial seminar was organised with the Greek ESC in Athens on 29 November 2013.
- A meeting of the social partners was held in Brussels on 23 January 2014.
- A second seminar was held in Rome on 19 and 20 June 2014.

Today we will discuss the third and last seminar relating more particularly to issues 1 and 3 in the run-up to the concluding meeting of 27 and 28 November in Paris.

In this Madrid seminar, we will focus primarily on issues 1 and 3 against the background of the current European post-election context and the troubling results of these elections, the persistent crisis, the setting in place of the new Commission and the clear desire to act.

In this regard, it goes without saying that our discussions must be circumscribed by the European framework, without which, I am sure you will agree, no progress can be made.

We must at all costs incorporate past, present and future changes and trends, while taking into account the dangerous disaffection which was expressed in the recent European elections (caused by the policies implemented by the Troika) with the virtual submission of the Commission to the dictates of the States, and take into account the desire clearly expressed by the new President of the Commission, Jean-Claude Juncker, to change the direction and functioning of the institutions, bearing in mind that he was indirectly elected and was forced to govern with a coalition majority.

It must be said in this regard that, in order to meet the challenges facing us, we must first and foremost consolidate the EU. The Union, now with 28 members, is showing its limits, and certain countries, and not by any means the smallest, seem set on limiting the prerogatives of the Union to nothing other than management of the market and are adamantly opposed to those who seek to build new common policies and develop new solidarities.

Within this context, there is an urgent need for a more robust Europe to use its influence at an international level, to develop dynamic economic and social policies and to meet the expectations of citizens.

There can be no social progress without common commitments and policies.

We already have an area that lends itself to the implementation of more integrated common policies. The euro zone will enable us to make progress. This will require a thorough review of the functioning of the institutions as regards what is commonly referred to as Greater Europe and, more particularly, the policies to be pursued within the euro zone.

The debate has gotten under way, and we must get involved, be proactive, frame proposals, act to ensure that they are taken into account and give the citizens reasons for hope.

THE TREND OF INDUSTRIAL RELATIONS IN THE CURRENT CRISIS IN SPAIN THE ONGOING TRANSFORMATIONS

❖ **Almudena Asenjo**, Director of the Largo Caballero Foundation (Spain), welcomed the participants and introduced the session's speakers.

We will now discuss social relations in Spain against the backdrop of a crisis that has persisted for more than five years. What began as a financial crisis has in fact turned into an unprecedented economic, social and political crisis.

Governments of the left and right have implemented reforms that affect all the rights, freedoms and guarantees of citizens. All this has merely served to undermine the institutions and labour law, while creating a regulatory framework that is more unfavourable to workers and their representatives.

Most of the reforms have resulted in a situation that has led to some major restrictions on the granting of workers' rights, as discretionary powers granted to employers to change the fundamental rights were covered by the collective bargaining, as was the case with the labour reform initiated in 2012, which deregulated labour relations and undermined the effectiveness of trade union activity.

However, the worst aspect of all this is that most of these measures have proven to be ineffective. Most of the socio-economic indicators have worsened.

We now have more debt, more unemployment, more poverty, more inequality and more job destruction, and the few jobs that are created tend to be seasonal and insecure.

The crisis has resulted in a deterioration of labour relations, working conditions, the living conditions of workers and one of the pivotal values of the last thirty-five years, dialogue with the social partners, which is an essential ingredient of democracy in Spain and an effective conflict resolution mechanism.

❖ **Rodolfo Benito Valenciano**, Confederal Education Secretary and Chairman of the 1st of May Foundation, Spain

We are witnessing a change in the social model. The crisis is merely a pretext to destroy all our social rules, to dislocate the labour market, to weaken sectoral collective agreements, to restrict the bargaining power of the trade unions and to increase governmental unilateralism.

We are close to a third economic recession. The only growth area has been insecure and part-time employment replacing stable full-time jobs (currently making up 24% of jobs), while inequalities are becoming more pronounced. We are witnessing a change in the social model.

We must propose initiatives at European level with the European trade union movement to bring to an end the austerity policies, to discuss redistribution and to develop economic and social democracy.

❖ **Antonio Ferrer**, Secretary of Trade Union Action of the UGT, Spain

In Spain we are witnessing an increase in pseudo-self-employed operators to the detriment of salaried employees.

Fewer than 45% of the unemployed receive benefits. The government is making savings on unemployment benefits (6 billion over 3 years).

We are witnessing more and more derogations in the context of collective agreements, in particular within companies (300,000 employees this year), and company-based agreements have been concluded that provide a means of circumventing the sectoral collective agreements.

The minimum wage has fallen by 5%, and the debt has risen from 38% to 88% of GDP.

❖ **José Carlos Díez**, Secretary of Trade Union Action of the UGT, Spain

As Antonio Ferrer has stated, the only way out of the crisis is a European approach. We must agree on a common European policy.

The US economy is growing once again. The American banking policy based on market support has reduced the deficit from 10% to 3%.

They are exploring new avenues; industrial production is growing. This is the result of their ultra-expansive monetary and fiscal policy (an investment of 700 billion dollars) and a recovery plan for the banking system. They still face many problems, in particular poverty, but the economy is recovering.

The Chinese are facing the problem of a change of model, but for the last 35 years they have been managing their problem themselves and they are getting by.

Brazil is facing a deep crisis that is hampering the economies of all the countries in South America.

Argentina is a disaster zone (30% inflation).

In Europe, the Euro group is doing nothing.

I do not understand the policy of France.

Draghi is on the right track for the ECB, but he needs support.

We must change the policy of the European Union and focus on lowering the unemployment rate. Meanwhile, the European bank is focusing on lowering the inflation rate and the FED is focusing on the rise in unemployment. We must follow their lead.

In Spain it will take 20 years to get back to the employment level of 2007. We must raise wages and improve the employability of workers. 30% of SMEs will be unable to pay their debts to the banks.

❖ **Joël Decaillon**, Executive Vice-Chairman of Lasaire, France

We are witnessing a general weakening of industrial relations around the world. In Greece what we are seeing is purely and simply the destruction of industrial relations.

In the rulings handed down by the European Court of Justice, we are seeing that collective representation and collective bargaining are under threat (particularly in the latest Austrian ruling). The debates on the Laval and Viking

rulings have for the past ten years virtually paralysed the activities of the ESC. Given the new social and trade union paradigms that raise the issue of the level and content of the negotiations on a differentiated basis, we must construct an alternative system of social relations in Europe.

It is not only in Europe that trade unionism is in trouble.

With globalisation, the number of salaried workers has increased exponentially, but trade unionism is not making any headway around the world, including in emerging nations (3.8 billion employees worldwide and 160 million trade unionists). There has been no improvement, and there has been no real improvement in the situation of social law and trade union law around the world.

Another question concerns the nature of the labour market in Europe. Is there a European labour market, or is the labour market essentially national and specific to each country? There is no single answer to the question as regards the organisation of the labour market in Europe.

What is the role of labour negotiations within the context of economic governance? What we have at the present time are governmental labour relations systems that have more to do with consultation than with negotiation.

The States are pressing for the decentralisation of negotiations to company level.

However, the company is not a well-defined legal concept.

At company level, the situation is characterised by the absence of legal standards, while at international level very few multinational agreements have been concluded (10 a year).

We are currently witnessing a two-tier system of social protection for workers with, on the one hand, poor workers who are not covered by the collective agreements but only by the legislation of the States without any negotiation in micro-enterprises and the services and without trade unions and, on the other hand, protected workers in large industrial companies in which there are negotiations that depend on the existence or otherwise of trade unions and on their clout.

We must carry out a review of the sectoral negotiations.

Poor workers are increasingly not being included in collective bargaining. That is precisely the situation in the US, in Australia, in New Zealand and in Great Britain. In Sweden, only 60% of workers are currently still covered by collective agreements (-10%).

The decentralisation of collective bargaining raises new issues concerning relations with territories for companies that operate within networks. The negotiation fora must be reviewed. Within this context, territoriality is increasingly becoming an important element.

To meet this challenge, we must change the model of collective bargaining. In future, territorial negotiations will be the key element.

This is all the more necessary as we are faced with major societal challenges that cannot be met at company level, for example food security, health and of course the environment and energy transition. These are global and territorial challenges.

The example of Google and Amazon, in the context of the creation of the Data Center standards, raises the issue of control of information that underpins the issue of the control not only of production and distribution but also of diagnosis and forecasting.

The Transatlantic Treaty could potentially spell the end of European and national social standards. This raises a major democratic problem.

We must devise a social and trade union solution that involves thinking outside the box. This problem cannot be resolved at company level. We must have a debate to decide at what level the negotiations should take place, without restricting ourselves to the company, a notion that for the time being is anything but clearly defined.

❖ **Raffaele Minelli**, Head of Research at the Association Bruno Trentin ISF-IRES, Italy

The situation in Italy is similar to the situation in Spain. Since 2007 (figure for 2014), GDP has fallen by 9%, production by 23%, consumption by 8% and construction by 40%, while poverty has increased by 12%.

The unemployment rate has risen from 6% to 12% (duration 2 years, 40% for young people under 25 years of age), and

we have seen an explosion of part-time work. The cost of work (28.1 euros) is lower than in any other country.

A considerable amount of the work is done by the self-employed (with many pseudo-self-employed operators). This is having a profound impact on trade union representation: only 41% of workers are covered by a national agreement.

We have seen a reduction in collective bargaining.

The Italian unions have responded, but they are essentially on the defensive.

National agreements take precedence over the other levels of negotiations.

Company negotiations must be put to a worker referendum.

The current government still insists that it wants to have no contact with the trade unions.

❖ **Juan Mendoza**, Vice-Chairman of the Group II of the CESE, Belgium

We are witnessing an ideological and anti-democratic offensive across Europe: 27 million unemployed people, 10 million of whom are less than 25 years old. We are also witnessing the destruction of the industrial fabric and an increase in xenophobia and anti-European sentiment.

The Spanish Youth Council, which was set up 30 years ago, is to be disbanded.

Insecurity is spreading in all areas of society, in particular among young people and pensioners.

There is no longer any inter-generational solidarity.

Trade unions have trouble responding: the labour force has been split, services dominate the industry and the organisation of work has been totally altered, but the class struggle goes on!

❖ **José Augusto Oliveira**, CGTP-IN, Portugal

More than four years have passed since the imposition of the "austerity plans". In Portugal, we are facing the most critical economic and social situation since the advent of democracy, with a prolonged economic downturn, a sharp increase in impoverishment, the exploitation of the population, a drop in wages and pensions and a sudden worsening of inequalities.

We are seeing unprecedented job losses, high unemployment, increasing job insecurity, a level of public debt that has become unsustainable, an assault on constitutional rights, freedoms and guarantees and mass emigration, all on a level that can be compared only with the final decades of the fascist dictatorship.

It is now clear that the so-called "end of the Troika program" last June did not spell the end of foreign interference in Portugal or for that matter the end of the policies that have brought about the economic and social destruction of our country.

The ongoing privatisation of public enterprises and the recent anti-union and anti-social measures contained in the new raft of measures that has just been adopted, along with further attacks on collective bargaining aimed at dismantling the entire collective negotiation process, are examples of policies that are clearly designed to violate the Constitution of the Portuguese Republic.

The CGTP-IN has filed a complaint concerning this major offensive with the International Labour Organisation for violation of Convention no. 98 on the Right to Organise and Bargain Collectively, Convention No. 151 on the Right to Organise and Procedures for Determining Conditions of Employment in the Public Service and Convention No. 87 on Freedom of Association and Protection of the Right to Organise.

Here are some of the consequences of the Troika memorandum and of governmental policies:

- the destruction of 469,000 jobs and an 83% increase in unemployment, with a majority of more than 1.3 million unemployed persons not receiving any unemployment benefits
- loss of more than 11% of the purchasing power of workers and pensioners
- no implementation of the agreement concluded at the Council on Labour Relations in January 2011
- increase of more than 36% in labour taxes, at a time when taxes on companies and on capital account for only 0.01% of all income taxes
- mass emigration (350,000 people since the start of the Troika program). In addition to the consequences at a

personal level, this exodus represents a loss of skilled workers with high academic qualifications. According to the official statistics, young people under 30 years of age make up 50% of this figure.

- a drop in wealth production that is without precedent in the last 60 years, with three years of recessions that have reduced GDP by more than 5.7%
- a sudden rise in the debt and the interest rate on the debt that exceeds the budget of the National Health Service, which reveals the enormity of this organised looting, with more than 35 billion euros of debt going to the Troika (EC, ECB and IMF), contrasted with our European funds (25 billion for the period 2014 to 2020).

How can this be called aid when it merely serves to aggravate the situation of pauperisation and undermines and demeans our national sovereignty?

How can they call it aid when it does not allow us to create wealth or to produce goods to develop the country and repay the debt?

What kind of aid is it when it makes the lives of pensioners and the elderly a living hell, robs them of their pension and leaves them unable to pay for the medicine they need to survive?

What kind of aid forces students to drop out of university because their parents are unable to pay their tuition fees? What kind of aid forces us to make sacrifices that destroy us, while bankers get loans from the ECB at a rate of 0.25% and then lend this money to the State at a rate of 5% or 6%?

This is not aid; it is in fact nothing more than an instalment loan!

However, we want to make it clear that there are alternatives to the current policies and to the economic and social disaster that is destroying our country:

- assert and defend our social *acquis* and rights, including:
- the right to collective bargaining, employment and jobs with entitlements
- a fair redistribution of wealth, with an increase in wages, the national minimum wage and pensions, a return to the previous salary and pension levels from before the unwarranted cutbacks
- a new tax policy that takes some of the pressure off income tax and pensions and increases taxes on capital
- the rejection of the negative employment legislation that is exacerbating the exploitation of workers
- the safeguarding and improvement of public services, including the National Health Service, social security based on the principles of solidarity and universality and high-quality and inclusive public education
- the guarantee of unemployment benefits and social assistance for those in need
- the encouragement of national production to create wealth and employment in order to reduce the debt and imports.

In the run-up to the forthcoming parliamentary elections, the CGTP-IN believes that one of the fundamental criteria that must be used to assess the position of each of the political parties as regards the protection of workers and reactions to the country's problems will be whether they propose measures aimed at reversing these exploitation and impoverishment policies, including the policies on wages, labour law, pensions and welfare benefits, and to ensure that the public services are safeguarded, and measures to ensure public control of strategic economic sectors and to uphold our national sovereignty.

In conclusion, in Portugal we will continue to intensify our protests on the street and in the workplace to make this action a major element of our fight to end the current economic and social decline that has been imposed on us:

As a condition *sine qua non* for the development of our country, the CGTP-IN is in favour of a sovereign policy that guarantees the renegotiation of the schedule of the national debt, its interest rates and its amount and that rejects the fiscal pact. (It should be remembered that it was not until the year 2010, i.e. 92 years later, that Germany finally paid off the external debt imposed in connection with World War I).

To those who claim that this break with the past and the paradigm shift we are proposing for our future is utopian, we would simply point out the following:

The Revolution of 25 April took place 40 years ago in Portugal because throughout that long dark Fascist era there were people who never gave up the fight.

They believed that a change was possible and that the inevitable was not ineluctable. The people who during the April revolution made Portugal what it is showed how a utopia can turn into a dream, a dream can turn into a plan and a plan can turn into action.

For all these reasons, we believe that it is both necessary and possible to break with these right-wing policies that are

undermining our society and civilisation!

Portugal needs a policy and a government that guarantee growth and economic development, stimulate domestic production, create more and better jobs and encourage a fair redistribution of wealth.

It needs a policy and a government that will revive the values of the Revolution of April 1974 and breathe new life into Portugal's Constitution. And remember that the Constitution is not neutral; it is for the workers and for the people!

DISCUSSIONS

A research director of the 1st of May Foundation stressed that the drop in interest rates in the US have been used to finance public services and employment.

He added that the decline in public expenditure had not been redistributed to the poor but to the rich.

❖ **Antonio Laredo**, Economist with the UGT, Spain

He was somewhat struck by the comments made by José Augusto Oliveira. The description he gave of the situation in Portugal is identical to what is happening in Spain. In addition, this raises the question of the employers' position. Has it changed recently? What should the trade unions do to get the process of agreement negotiation back on track?

❖ **Rodolfo Benito Valenciano** said he agreed with what had just been said. Not enough is said about the role of employers.

❖ **André Gauron**, Economist with Lasaire, France

The European Union was conceived in an area that is not open to the east. In the wake of the fall of the Berlin Wall, Germany veered towards the East, and it reorganised its value chain to cater for the East. Germany had to manage its exchange rates with countries outside the euro zone. We must now develop a European vision that encompasses the entire European Union and cease to focus exclusively on the euro zone.

The employers' federation is pushing for the destructuring of the European labour market, and there is nothing to prevent this happening such as a European employment policy or objectives concerning the construction of a European labour market. In fact, the structural reform called for by the EU envisages a labour market that undermines social protection and the guarantees of stable employment. They know that the debt problems will be settled (with the credit rates now at their lowest point) but that it is essential to take advantage of this to deregulate the labour market.

❖ **Anne-Marie Grozelier**, General Secretary of Lasaire, France

Everything that has been said this morning echoes the comments made at our previous seminars in Athens and Rome. It can be seen that the countries of the European Union have one after another undergone a rather extraordinary experiment, a transition to ultra-liberalism, i.e. the destruction of the social *acquis* and of the social models that existed in the past.

We have seen this very clearly in Greece, where the entire system of social dialogue has been eradicated. We have also seen it in Portugal, and this is being attempted in Spain. It can clearly be seen that these rigorous austerity measures are having no effect whatsoever on the crisis they are supposedly designed to resolve. This is all part of an ideology. The ultimate objective is to deregulate the labour markets and to dismantle the social protection systems.

In this 11th Lasaire biennial, we return to the central question: how can we give the social partners more influence that would enable them to change the situation? After all, only the social partners can offer innovative solutions to manage the ongoing crisis. As our Belgian friends have explained, in Belgium the trade union organisations are now the only credible structures in the country's politico-social system.

While the social partners bear a great deal of responsibility when it comes to seeking real and credible alternative solutions, the Commission has been constantly undermining social dialogue and setting in place non-democratic structures. It can clearly be seen that the Troika has no legal *raison d'être*. No European text endows this structure with any power to impose reforms on countries. All this is outside the realm of democracy, and for the social partners the main problem is how to regain control.

However, there is another problem, which was mentioned this morning. When it comes to social dialogue, there must

be two parties, not only a trade union partner but also a partner from the employers' side. However, the employers are no longer willing to play the game. This is a trend that can be clearly identified if we consider the history of the biennials. At the first biennials, the employers' federations were very active and very much involved. The employers' federations of various countries (Belgium, Italy, France, Spain, Germany, etc.) took a very active part in the debates. However, times have changed and it is now very difficult to get BusinessEurope involved in our discussions. Moreover, we note that there is an ongoing debate within the employers' federations. We have heard comments by management representatives who believe in social dialogue, negotiation, the role of negotiation in society and the need to organise regulations. In Greece, this is a demand that we have heard being forcefully expressed by a number of employers who wanted to continue to negotiate collective agreements.

We must pursue the debate on the issue of the institutions and on ways to make democracy work with the social partners. In short, we must situate the debate in the political arena.

HOW CAN THE SOCIAL PARTNERS GET INVOLVED IN THE SEARCH FOR ECONOMIC, SOCIAL, INDUSTRIAL AND FINANCIAL SOLUTIONS IN THE FACE OF THE CURRENT CRISIS IN SPAIN AND AT A EUROPEAN LEVEL?

- ❖ **Ramón Baeza**, Director General of the 1st of May Foundation (Spain), presented the topic of the second part of the seminar, the involvement of the social partners in the search for a way out of the crisis.
- ❖ **Ronald Janssen**, Economic Adviser with the ESC, Belgium

What we heard this morning was very depressing. Against this background, we must ask why the European elites who govern us have decided to undermine social dialogue and, to this end, to weaken the trade unions. The answer is simple: the policymakers, having given up the possibility to carry out currency devaluations, have opted to devalue wages. To achieve this aim, they had to undermine social dialogue and therefore weaken the trade unions.

These policies have resulted in a recession and deflation. In Greece, Portugal and Spain, they have managed to eliminate the external deficit at the cost of the drastic social decline that has already been discussed. And France and Italy are now in the crosshairs. What will happen if these two countries cannot take the pressure?

The ESC has proposed a clear and precise solution to the crisis: a plan to finance investments in environment-friendly industrial projects and social investments on the basis of 2% of annual European GDP for 10 years. This plan would create millions of jobs, but it would necessitate European social dialogue. For his part, the future President of the Commission, Mr. Juncker, proposed a €300 billion European-level recovery plan. This is certainly a more modest proposal, but at least it exists. He also mentioned the need for a minimum wage in all countries.

There are therefore opportunities for the ESC to get results in the search for a solution. Also, there is some hope that the Commission will finally realise that it has gone too far and that we must change course.

- ❖ **Jordi Garcia Viña**, Director of Industrial Relations of the Spanish Employers' Federation (CEOE), Spain

European social dialogue has changed considerably since it was created when the Commission was chaired by Jacques Delors.

Europe is now experiencing a crisis of values. The citizens of the European Union have lost their faith. There has been a loss of confidence, and young people can no longer be expected to believe in the European model. There is an urgent need to put forward economic solutions to get the European Union out of the current slump. We must also consider what role the State might play in this regard.

- ❖ **Jacques Freyssinet**, Expert with Lasaire, France

One thing is now abundantly clear: both at the level of the European Union and in the vast majority of Member States, the social dialogue¹ institutions are still functioning. Ronald Janssen has just presented the statement of the European social partners made on 24 October 2013 concerning their involvement in European economic governance. In France,

¹ We define social dialogue according to the broad definition given by the ILO (International Labour Organisation): all types of negotiation, consultation or simply exchange of information between, or among, representatives of governments, employers and workers on issues of common interest relating to economic and social policy.

tripartite social conferences have been organised every year since 2012. They set guidelines and an agenda for public policy measures and for issues connected with collective bargaining. In Spain, on 29 July 2014 the government and the employers' federations and the trade unions signed an "agreement on proposals for tripartite negotiation to strengthen economic growth and employment".

Against the background of the economic crisis, a question may be asked. To what extent are we perhaps merely witnessing a situation where out of inertia the parties concerned are acting out institutional rituals that in the current context can produce only declarations of intent with no genuine commitments by the stakeholders? On the other hand, to what extent can it be said that there is still a willingness among the stakeholders to confront their priorities to create binding compromises?

Contrasts:

Since 2008 the trend of social dialogue has been anything but homogeneous in terms of time and place. In terms of time, we can identify two periods that are very different. The end of 2008 and the start of 2009 was a period of revitalisation of tripartite social dialogue based on explicit agreements or in-depth consultations. However, from 2010 on the dominant trend has been a decline in social dialogue, often replaced by unilateral strategies of governments or employers' federations.

In terms of place, the gap between two groups of countries is widening. In the Germanic and Nordic states, the impact of the economic crisis has been less brutal and the nature of relations between governments, the employers and the trade unions has not been transformed. The trend has been very different in the rest of the European Union, in particular in all the countries that have been the target of the Troika's interventions or the quasi-mandatory recommendations of the European institutions. The relations between the stakeholders have become more openly aggressive, even though a few piecemeal compromises have been reached.

Based on these experiences, we can endeavour to set the conditions that must be met to achieve the genuine involvement of the social partners in defining economic and social solutions to manage the current crisis. In reality, the question we must ask at this point in time is whether the trade unions are involved in the decision-making process or if they have been marginalised. To answer this question in the affirmative, our hypothesis is that three conditions must be met. We will now tentatively define these conditions.

First condition: the existence of a basic shared diagnosis or a common understanding as regards the nature of the problems and the potential solutions

It is of course not realistic to imagine a possible consensus between the different social partners concerning the analysis of the situation and the content of the strategy to be adopted to handle the crisis. The starting point is a recognition by the stakeholders of the differences in their terms of reference and their interests. The question is whether it is possible to identify a minimum basic understanding that would allow them to set certain common objectives.

The return on the context disruption between 2009 and 2010 is particularly illuminating. At the end of 2008, the threat of the collapse of the financial system - and with it the collapse of the production system - was obvious to everyone. This urgent situation then made it possible to determine a number of priorities shared by governments, employers and trade unions: a program to rescue the financial system and the crisis-hit sectors, followed by a program to kick-start the economy, accompanied by social protection measures to help the categories most affected by the crisis. Inevitably, the stakeholders involved may disagree on the relative importance to be attached to the different components of these policies, but they agree on the need to implement them quickly and across the board.

The essential elements of a shared diagnosis disappeared with the illusion of recovery and an exit from the crisis in 2010. The governments decided that priority must be given to reducing deficits and the public debt. The economy measures adopted in the area of employment and public sector wages and with regard to expenditure on social protection ran counter to the analysis of the trade unions concerning the sources of the crisis. For their part, the employers favoured the recovery of profitability and competitiveness, which first and foremost necessitated lower wages and more flexible employment contracts. Once again, all this is completely the reverse of the analysis of the trade unions.

For the last four years, the dynamics of the situation we have witnessed have resulted in a more deep-rooted antagonism between the different diagnoses and therefore between the recommendations arising from these analyses. In this context, social dialogue has become a dialogue of the deaf, while the trade unions have been excluded from the decision-making process with regard to economic and social policy, except in very few countries such as Germany, where this is justified by an exceptional economic situation (and which, by its nature, cannot be extrapolated to other countries).

The question today concerns the impact of the threat of deflation hanging over the EU. The IMF and the ECB have somewhat softened their tone. The external partners, in particular the United States, are urging the EU to implement a less restrictive policy. Can we hope to see the emergence of a shared diagnosis on the recognition of deflation as the main threat currently facing the EU? If so, we could find a basis for the definition of shared priorities among the different stakeholders.

Second condition: the interest and willingness of the stakeholders to make compromises

Given the fluctuations in the balance of power, in particular resulting from the economic situation, the social partners are constantly having to make trade-offs between two approaches, an approach based on confrontation strategies and an approach based on some kind of compromise. The two attitudes are still in evidence, but with different degrees of emphasis. In this regard, it is instructive to look back at the experience of the social pacts that were attempted by many European countries in the 1980s and 1990s. These social pacts pursued different aims and were of variable duration, but they had two ingredients in common.

Firstly, these agreements defined the terms of an exchange of concessions between the stakeholders. In most cases, the trade unions accepted a commitment to exercise wage restraint and some degree of flexibility in return for different concessions: a reduction in working time, a policy of public investment, active employment policy measures, an improvement in certain social benefits, etc.

Secondly, the social pacts served as a means to ensure the reciprocal recognition and enhanced legitimacy for the different stakeholders involved. The government and the employers felt it was important to have the trade unions validate the sacrifices that the workers were being asked to make. For their part, the trade unions who accepted the logic underpinning the social pacts saw that it was in their interest not only to obtain concessions but also to be recognised as full participants in the decision-making process concerning economic and social strategies. This in fact allowed them to avoid the risk of being marginalised in a purely defensive position. This is not the place to discuss the relevance and effectiveness or otherwise of this option, but it is important to stress that it was adopted by most of the trade unions in the countries of the EU.

Since 2010, the context has changed. Governments are primarily concerned with their legitimacy in the eyes of international organisations and global financial markets. In order to ensure their legitimacy, they have committed themselves to policies aimed at carrying out "structural reforms" of the labour markets that are unacceptable to the unions. It could even be that the governments are seeking to enhance their international credibility by demonstrating their capacity to confront the unions. For their part, the employers, knowing that the balance of power is in their favour, are less interested in seeking overall compromises with reciprocal commitments. In the vast majority of cases, they prefer a decentralisation of collective bargaining that allows them to exploit to the full competition between workers at national and international level on the pretext that there is a constant need to boost competitiveness. On the other hand, this does not preclude the possibility of them signing all-inclusive documents, provided they remain mere declarations of intent.

The question is therefore how the trade unions can once again gain acceptance as key players in the determination of economic and social policy choices.

Third condition: the ability of unions to encourage participation in a credible alternative project.

Since the start of the crisis, the trade unions have shown that they can define coherent policies to find a way out of the crisis. Ronald Janssen has just presented us with the proposals of the ESC, in particular their investment plan for the European Union. Similar approaches have been undertaken by the trade unions of the member states. This is not the place to examine the details of these proposals. One of the key points is that we must avoid the temptation of creating a hackneyed dichotomy between a policy of supply (a right-wing approach) and a policy of demand (a left-wing approach). The problem is finding a way to frame coherent targeted supply and demand policies in such a way that creates sustainable conditions that provide a means of getting us out of the crisis. On the supply side, this calls for a policy based on productive investments, investments in infrastructure, research and innovation, initial and continuing training, etc. On the demand side, it will require a policy that favours an approach that meets the basic needs of the population, and first and foremost of the social categories hit hardest by the crisis.

The main problem is not how to produce a coherent project. In fact, the main challenge is how to make this project credible in the face of the hegemonic position currently occupied by the neo-liberal forces and their doctrine. Clearly, the key to ensuring that the contending projects are genuinely implemented through bipartite or tripartite compromises is to substantially alter the balance of power, and this will not work unless the trade union movement musters the capacity to mobilise the workers in a way that goes far beyond its current reach and influence. To this end, the trade union movement faces two difficulties.

Firstly, throughout their history the task of the trade unions has always been to transcend the contending special

interests at play within the labour force, which have consistently been heterogeneous, to forge a set of fundamental shared interests on the basis of which lasting solidarity might be developed. At the present time, the strategy based on the extreme segmentation of the labour force, implementing the flexibilisation objectives with regard to the wage differential, has created a context in which it can clearly be seen that, in spite of repeated efforts, the trade unions have tremendous difficulty mobilising workers other than the categories of the labour force that enjoy a relatively stable status and have always formed their main support base. And even within these categories, the policies implemented by the employers that involve creating competition between different production plants, outsourcing and relocation create a kind of employment blackmail that undermines the awareness of the workforce and the expression of solidarity. The trade union movement will not be able to get a debate on its alternative project on the social agenda unless it can get all categories of workers behind its proposals (including pseudo-self-employed operators).

Secondly, the voices denouncing the effects of the crisis have mobilised or re-mobilised various categories of social movements from outside the trade union movement that have at times been critical of the trade union movement. In particular, we can see an example of this in Spain with the *indignados* movement. In other countries, a number of strong movements - some more lasting than others - have emerged and taken up issues that have in common a critical attitude towards the current model of economic and social development: a desire to protect the environment, the promotion of non-commercial local solidarities, movements of jobless people, the homeless, undocumented migrants, etc. Initially the trade unions were often reticent towards what can be described as unreliable, unstable and sometimes ambiguous modes of organisation. After this initial reaction, the trade unions explored the possibility of convergence and alliances. Whatever the difficulties and risks involved, clearly it is difficult to imagine how an alternative project that offers some prospect of getting us out of the crisis and at the same time a new model of economic and social development can win acceptance in the political debate if the different critical approaches cannot build a convergence of interests around such a project. While the trade union movement, with its clout and historical experience, must be allowed to play its role as a driving and unifying force in this process, it must demonstrate that it can build alliances.

❖ **Klaus Mehrens, IG Metall, Germany**

This morning's discussions clearly identified the many problems we are currently facing. Some have spoken of the "golden age" of labour relations and the model of the welfare state, which they usually place somewhere between the period after WW2 and the early 1970s. Furthermore, according to their analysis we are currently on a slippery slope leading to disaster. If we accept this vision of history, it becomes difficult to identify possible offensive actions, and we feel like we are lost in some unimaginably complex maze. On the other hand, there is a genuine risk of simplifying the situation, and I hope I will not fall victim to this temptation.

The economic crisis has various identifying characteristics. I will mention the main features. The crisis we are facing has hit Europe's industries and economies very hard. The unemployment rate has significantly increased in virtually every European country. Germany has seen an increase in job insecurity and low-paid jobs for more than fifteen years. As a result of the austerity policy, the disparities between European countries have increased, and the price to be paid for the austerity policy is particularly apparent in the countries that have been the main targets of the programs of the Troika's structural reform, such as Greece, Spain and Portugal as well as Italy and France. The vision of a social Europe is vanishing before our eyes, only to be replaced by a short-sighted economic and monetary policy. And the democratic principles are not the only problem in this context, although as we seek solutions for many of our problems it can be seen that these principles constitute one of the key elements.

In Europe, we are witnessing a democratic deficit in relation to the parliamentary and administrative institutions. Europe has adopted an approach to economic and monetary governance that attaches little importance to social progress or democratic participation. This is an issue that arguably concerns equally or even more critically the basic rights underpinning worker participation in Europe. The participation of workers and the other elements of economic democracy are intrinsic values. In addition, the German experience of co-determination shows that the collective participation of workers provides a means of better heading off and managing crises and might even prove beneficial to companies.

What are the key factors and what can we do to strengthen them?

Social dialogue has become one of the key characteristics of European integration. Of course, in terms of concrete results it is anything but a robust instrument. Nevertheless, we have seen that social dialogue is very important and should be strengthened.

Binding, organised and autonomous systems of collective bargaining form the backbone of economic democracy. The rules and regulations and the legal framework of these systems must be protected in all countries. This also means that the power of the trade unions, on the one hand, and the power of the employers' federations, on the other hand, are important prerequisites for the proper functioning of the system.

There is a need to develop common views and common positions as to how to manage changes and restructuring at

company level. The European countries must develop common views and approaches on the refusal to see collective bargaining being undermined - which is an anti-natural process - and on the large-scale development of co-determination. The workers must be given a say and must assume their responsibilities in the context of the economic issues that affect their company and their factory.

The workers and their unions should engage in a dialogue at an international level on the setting in place of co-determination in the supervisory boards and on other forms of worker participation in the life of the company.

The social partners can do much to help us find a way out of the crisis. At a European level, they should focus their involvement in the political arena on easing the rules on the deficit and boosting their efforts in favour of an active labour market and an innovation policy. At a national level, the social partners should campaign in favour of State-driven programs that stimulate demand and for the use of economic margins to create a dynamic wage policy.

Europe and the European social partners must get around the table together with a willingness to cooperate on the essential link between democracy and the means to find a way out of the economic crisis.

❖ **Dominique Gillier**, CESE - CFDT, France

At a previous seminar, the Portuguese employers criticised the current policies which, they say, are completely strangling the economy, which all goes to show that there are many different ideologies and many aberrations in these policies. My organisation agrees that these austerity policies in Europe have failed and believes that there is an urgent need for a different European policy that encourages a level of growth that is essential for job creation and that will enable States to take steps to restore their competitiveness.

This is the meaning of the ESC proposals put forward in June 2012 concerning a social contract for Europe and in November 2013 for an investment program, which proposal was reiterated at the last European semester, with the objective of overcoming the recession by using EU foreign trade surpluses to improve and develop future-oriented infrastructures in the EU, including proposals transmitted by certain European sectoral federations, such as Industriall with its manifesto to put industry back to work for European parliamentary term 2014/2019. A policy aimed at boosting economic activities would also be beneficial for companies, many of which, it must be said, are in dire straits.

A number of political obstacles have been removed in Germany since the coalition government, and a European summit on growth has been scheduled. These are encouraging signs. The results of this year's European elections and the crisis in Ukraine have also raised awareness of the political and geopolitical risks within Europe and in the immediate vicinity.

I would like to stress three characteristics of the French situation:

- the fact that the austerity program is less intense compared with the countries of southern Europe, as it is limited by the action of powerful social "shock absorbers",
 - France's radical deindustrialisation process, which has accelerated since 2008,
 - the weakness of social dialogue compared with the countries of central and northern Europe.
- France has in common with most European countries an ongoing context characterised by a low level of growth (2000/07, 2.1%; 2008/13, -0.1%) and stagnation (or even decline) of the average GDP per head of population, as well as an increase of the public debt that limits the room for manoeuvre for public actions.

The social effects have been marked, in particular a rise in massive unemployment (2000/07 < 8%, 2014 10%, of which 24% are young people, 40% of whom for a period > 1 year). The society is becoming polarised between those who have a job and those who do not, between workers according to the economic situation of their company or its position in the value chain, within the territories and between territories. We are witnessing a worsening national decline. People are becoming more xenophobic and conservative in their views, sometimes in massive numbers, as was the case in the opposition to "marriage for all". The French have been very critical of their political parties. The extreme right is taking advantage of all this, which is dangerous for democracy.

This is having a tremendous impact on economic activity, with many small and medium and micro enterprises failing, a number of groups facing serious difficulties (PSA, Alcatel-Lucent, etc.) and company restructuring operations, some more severe than others, in an effort to maintain profits or competitiveness.

Up till now, although the pressure on wages and on social protection systems has been very real, it has had less impact than in other European countries, especially in the south of Europe: an increase in poverty but less than the European average; an increase in average wages (2830 euros) but with increasing inequalities. Nonetheless, wages have been frozen or have risen less in companies according to their economic situation (company-based bargaining), minimum social benefits, public sector wages, pensions, refunding of health costs, etc. We have also witnessed a negative impact on incomes, along with partial unemployment, sometimes for long periods.

Working conditions have also been under pressure and have deteriorated, in particular due to reduced staffing, leading to increased workloads, a demand for more flexibility, more stress, etc.

Fortunately, the social “shock absorbers” have done much to attenuate the impact of the economic situation: the French minimum wage (the SMIC, i.e. 1430 euros/month), unemployment insurance, indemnities for partial unemployment, assisted job creation, etc.

Although it has been largely insufficient, social dialogue has produced some important national or sectoral inter-professional collective agreements, such as:

- the metallurgy agreement of July 2009 on urgent employment measures prior to the national inter-professional agreement and public measures on compensation for partial unemployment, staff loans: the effects have been inadequate;
- the January 2013 national inter-professional agreement on job security (as a follow-up to the inter-professional agreements on continuing vocational training and subsequently on the quality of life in the workplace):
 - the need to anticipate developments and their consequences to maintain employment (strategy debate, info-consultation, EC-BDU, or Single Database)
 - the need to safeguard jobs rather than lay people off
 - training (personal training account)
 - vocational guidance counselling
 - mobility period (professional project experimentation)
 - employee directors
 - health cover (mobility)
 - unemployment benefits
 - more effective fight against short fixed-term contracts (rechargeable rights)
 - management of external mobility through company-based agreements
 - management of agreements to keep people in jobs (competitiveness)
 - employment of young persons.

➤ The deindustrialisation of France started before the 2007 crisis, but it has accelerated:

- 14% fewer industrial jobs/2007
- contribution of industry to GDP = 10%
- 16% less industrial activity (-23% in metallurgy)
- balance of trade surplus falls below 0 (-0.5%)
- but: sectoral support: automotive sector
- resurgence of industrial policy

We have identified, including on a parity basis (social dialogue with the MEDEF on competitiveness), a problem of loss of competitiveness, cost and, more severe still, not including the labour costs (incorrect range positioning, inadequacy of social dialogue).

We cannot deny that the cost of labour in France is among the highest in Europe. The hourly cost of labour in the industrial sector in France increased from 24 euros in 2000 to 37.4 euros in 2013, i.e. +13.4 euros (compared with +9 euros in Germany).

We have also witnessed a decline and stagnation of investments and a reduction in France's attractiveness for investors.

At the same time, the amount of dividends distributed has remained stable.

In 2012, the Gallois report proposed a redirection towards a policy of supply, which the government followed partly and imperfectly with the CICE and then the responsibility pact in 2014 (nearly 50 million euros in favour of taxation and the social security costs of businesses).

As the objective is to create a competitive shock, to make it more effective it might have been better to target the beneficiaries more effectively (exporting companies and companies facing international competition) to encourage investment and a shift to a higher quality, instead of taking general measures that result in certain protected sectors getting the lion's share (large retail outlets, the hospitality sector, the Post Office, etc.). In addition, the trade unions were not involved upstream in the preparation of government decisions. Companies have to be asked *a posteriori* if they are willing to allocate their profit margins, without applying heavy pressure, whereas it would have been good to agree on a commitment in advance or even to make the measures from which they benefit conditional on acceptance of the collective agreements negotiated with the trade unions within sectors and within companies. As a result, the

continued enjoyment of the measures will therefore be conditional on an assessment of the results.

Furthermore, in the last few years, in the light of the problem of industrial competitiveness in the broad meaning of the term, an industrial policy has emerged:

- creation of the CSFs (*comités stratégiques de filière* – sectoral strategic committees) and the CNI (*Conseil national de l'industrie* – National Industry Council) following the setting-up of the “états généraux de l'industrie”
- 34 sector-based industrial plans,
- future-oriented investments,
- permanent sector-based economic dialogue with the responsibility pact,
- the BPI (Banque publique d'investissement),
- etc.

In contrast to the weakening of social dialogue that has been witnessed in other European countries, in France the crisis has coincided with the implementation or strengthening of new provisions favouring negotiated settlements. These provisions were introduced in response to the weakness of social dialogue in France, where the law largely takes precedence over negotiated collective contracts. Several reforms introduced under different governments have stipulated that negotiation takes precedence over law in social issues, along the lines of the European system, and in 2008 a measure was introduced concerning trade union representativeness on an electoral basis (in order to strengthen the legitimacy and validity of such agreements) and based on majority conditions as regards trade union signatories.

Since the left came to power in 2012, a method based on annual social conferences has been introduced for three consecutive years, with important results in the first two years: an agreement on employment followed by an agreement on vocational training. The third conference, which was held in 2014, was more strained, with two of the five confederations partly refusing to participate. Nevertheless, the conference led to negotiations on social dialogue which are due to get under way.

A difficulty arose in the positioning of the employers' organisations, in which the representatives of the small and medium and micro enterprises have become increasingly on edge due to the crisis, while big companies are too indifferent to the national situation. The MEDEF upped the ante on its own demands and thereby undermined social dialogue. From this point of view also, a modicum of growth would give some margin of manoeuvre within the dialogue process.

It is essential to determine the level at which the negotiations must take place. New fora for regulation and mobilisation must be developed. The sector might be an appropriate level if we have to take into account sectoral specificities, including for a limited period, together with the ability of territories to create local federations of public authorities, companies and social partners. However, the normative inter-company framework must continue to be sector-based collective agreements, with a reduction in the number of sectors that guarantees the effectiveness of their missions.

DISCUSSIONS

❖ **Nadia Salhi**, Member of the Confederal Executive Commission of the CGT, France

Europe is experiencing an economic, social and political crisis, and France has not been spared.

Since the 2008 financial crisis, government debt has been used as a pretext to unravel the social *acquis* of workers through organised austerity policies. In France, this unravelling process has resulted in wage stagnation and even decline, job losses, an increase in working time, a deterioration in working conditions and, finally, an assault on our social protection system.

Governments, whether they be right-wing or left-wing, have implemented the same liberal policy, resulting in a loss of confidence in politicians, disillusionment, incomprehension and, finally, a certain resignation.

In this context, the trade union movement has a tremendous amount of responsibility. It must show that it can defend the rights of workers, because this is the very essence of trade unionism. And it must be able to propose an alternative to austerity policies, something different from the single-minded liberal idea that is ultimately geared solely towards boosting profit margins, without even taking into account the social conditions of the workers or the environment in France, in Europe or in the world.

The workers must be able to choose the society in which they live and decide what they want to produce and how

they want to produce it.

Unfortunately, at the present time one of the weaknesses of the trade union movement in France is that there is no trade union unity in the face of the austerity policies. The employers' federations and the government are taking advantage of this lack of unity in the trade union movement to promote institutional trade unionism in support of their unilateral decisions. Collective bargaining, whether it be in the context of centralised negotiations or in negotiations within companies, loses all democratic meaning when the alternative proposals put forward by the leading French trade union organisation are totally ignored. This suggests that the existence of social democracy fora does not guarantee fair and democratic social dialogue.

On the other hand, in France too trade union activists who do not support the unilateral decisions of employers and the government fall victim to repression.

To avoid all possible obstacles, knowing that the trade union movement can organise an opposing force, employers would like to prevent the creation of staff representation bodies at a forthcoming meeting that will be simply a pretence of national negotiations on social dialogue. The employers' federations refer to us as "social partners", but at the same time they are manipulating events to eliminate us.

In order for the trade union movement to take effective action, first and foremost it must take up the struggle in our countries and at European level for trade union freedom, the right to strike and freedom to express dissent.

At the same time, for the future of European industry and for the rights of all citizens, we must put our heads together. In the wider context, we must propose industrial projects, societal projects.

In France, the CGT implements industrial projects not only in place of restructurings or plant closures, but also in the context of new industrial projects that create jobs. Of course, these successes are achieved by mobilising workers and raising workers' awareness of their power to act and their ability to be part of the decision-making process in the choice of development programs.

While it does not dismiss the effects of globalisation or the impact of the information and communication technologies, the CGT proposes to regain control of industry and to redirect it in such a way that it is based no longer on competition between peoples but instead on territorially balanced cooperation for development. As a result, industry will meet people's needs and act for the general good while taking into account the need to ensure the necessary environmental transition.

❖ **Joël Maurice**, Economist with Lasaire, France

I would like first to talk about the strange case of blindness concerning the viability of the euro zone which in the Treaty of Maastricht resulted in attention focusing on the criteria of public deficit and public debt, only to discover very late in the day, well after the start in 2008 of the global financial crisis and in 2010 of the crisis of sovereign debts within the euro zone, that the fundamental issue is the problem of the current account imbalances, of the balance of payments and the monetary and non-monetary competitiveness factors, problems that can no longer be solved by monetary alignments between countries that now have a single currency.

The euro zone is now attempting to restore the balance of trade by concentrating most of the effort on the Member States whose trade balance is in deficit, by two means: compression of domestic demand and "internal devaluations", which in fact are essentially reductions in real and even nominal wages (something which up till now has been regarded as being virtually impossible). The most astonishing thing is that the euro zone is threatened with deflation, i.e. a drop in prices, while this is the goal that is pursued to restore price competitiveness and that it is of course a direct consequence of the "wage deflation" which was purposely organised!

It should be remembered that all this was anything but unpredictable. In fact, it was perfectly analysed way back in 1961 by Robert Mundell who, in his seminal paper entitled "A Theory of Optimum Currency Areas"², wrote the following: "To provide the necessary stabilisation (i.e. to prevent simultaneously unemployment and inflation), an essential ingredient of a single currency area is a high degree of internal factor mobility. Otherwise, only an increase in prices in countries of the area with a trade surplus will eliminate unemployment in countries facing a trade deficit". But what they have done is quite the opposite.

The situation of the euro zone and the current policies fly in the face of the objectives espoused by the treaties and in particular article 3 of the Treaty on European Union: "3.1. The Union's aim is to promote (...) the well-being of its

peoples". "3.3. The Union shall establish an internal market. It shall work for the sustainable development of Europe based on balanced economic growth and price stability, a highly competitive social market economy, aiming at full employment and social progress, and a high level of protection and improvement of the quality of the environment (...) It shall combat social exclusion and discrimination, and shall promote social justice and protection, equality between women and men (...) It shall promote economic, social and territorial cohesion, and solidarity among Member States (...)". This is certainly enough to warrant summoning the governments to appear before the Court of Justice of the European Union for serious breach of these clauses of the Treaty!

Indeed, far from converging, economies are diverging, and the geographical polarisation (which was also announced by Robert Mundell and Paul Krugman) is not accompanied by any mechanism to redistribute the revenue resulting from the economies of scale and of clustering.

As it currently stands, the euro zone is the arena of non-cooperative games, and we know that this leads to balances that are much lower than what can be achieved through cooperation based on shared well-being.

❖ **Mariano Fandos**, Confederal Secretary of the CFDT, France

At this point, it behoves us to put forward proposals and objectives that are realistic and at the same time allow us to make some progress. A number of proposals have already been tabled by the ESC, in particular concerning the social contract and the investment plan. These proposals have caused the European institutions to change their tone somewhat. In particular, Juncker has adopted the ESC's draft investment plan, and the ECB has expressed its opposition to deflation. In this regard, it is important to bear in mind that the investment plan idea adopted by Juncker is of trade union origin. Certainly, all of this is largely insufficient and we still have a long way to go, but it is a step in the right direction.

There is still much to be done to combat social dumping. This issue has been discussed quite considerably today. On the other hand, we must also combat tax dumping, which is an issue that has been much less discussed. On this issue also, the ESC has put forward some practical proposals, in particular the idea of having a common taxation base for companies with a minimum rate of 25%. As regards public deficits at national level, the ESC proposes to exclude from the calculation all costs associated with future-oriented projects and investment costs. Lastly, there is one final issue (which is still being debated within the ESC). It would be good to envisage, initially at the level of the euro zone, to pool the debt of countries to achieve 60% of GDP.

These few measures, with which everyone is familiar, could help remedy the crisis.

CONCLUSIONS

❖ **Jean-Cyril Spinetta**, Chairman of Lasaire, France

Prior to commenting on these discussions, he once again thanked the partners of the Spanish Economic and Social Committee and of the different organisations associated with this seminar.

There are three points of agreement we can take away from today's discussions, two rather positive and one rather negative.

As regards the positive points, it is clear from these discussions that, firstly, the future must clearly be envisaged within a European framework. This reflects the position adopted by Lasaire since the creation of its European biennials. Secondly, as suggested by Jacques Freyssinet and other speakers, a point of convergence can be drawn from the absurdity of the dichotomy between supply and demand. As regards supply-side policies, the European doctrine is unfavourable to anything that could be targeted as regards particular aspects. This is an issue that should be discussed by the trade unions in order to endeavour to reverse this European doctrine that accepts only uniform supply policies. Therefore, this clearly reflects an effort to reverse the European policy.

Turning now to the negative point, he pointed out that there has been some agreement on certain observations that have been made concerning the disastrous effect of the economic policies implemented in different countries since 2010 and the social consequences of these policies, as many have pointed out. The assessment of the situation as expressed today in Spain is comparable to the assessment made in Greece - which was of course the most critical and the most dramatic assessment - and the assessment made in Italy.

As Jacques Freyssinet and Klaus Mehrens have stressed, we see different situations in Europe. Northern Europe has been more successful than the countries of southern Europe in retaining its system of collective bargaining. The national

systems react differently, but overall it can be said that a requirement is set by the political leaders who relay the demand of the markets, which consists, in order to align working conditions, in carrying out internal devaluations by adjusting wages, a process which ultimately leads to this situation which is similar to the deflation described by Jacques Freyssinet and Ronald Janssen.

In the past, Europe openly advocated coordinated and cooperative policies that it regarded as a priority. This is no longer the case. These policies have been abandoned, no doubt due to the pressure exerted by the financial markets and as a result of the actions of political leaders imposing submission to the markets. In some countries, the social partners, in particular the employers' organisations, have used this as an opportunity to scupper efforts to construct a system of labour relations that in most European countries had opened up the possibility to have negotiations at sectoral level and to practice a form of pooling. They are now trying to limit negotiations to company level. This is the aim pursued by many employers' representatives.

Granted, company-based negotiations have always existed, but in the past they supplemented the minimum standards required by the law or by collective sectoral agreements. Nowadays this type of negotiation is a means of circumventing the law or the sectoral negotiations to adapt to the particular circumstances of the company. We can clearly see the terrible damage that this causes, for example segmentation of the labour markets and the development of these insecure working agreements.

So what proposals can we make? What solutions can the social partners put forward in response to this situation? The comments made by Jacques Freyssinet have opened up some avenues for reflection.

Topic 1: Could the level of deflation that has been reached ultimately affect the situation? Deflation is now a reality that no one nowadays ever dreams of questioning. The central bankers met to discuss this problem, and the President of the ECB said that he had envisaged the possibility of making budgetary relaxations. However, he immediately added, this would be conditional on an acceleration of the structural reforms. When used by a central banker, the term "structural reform" means basically a reform of the labour market, i.e. a reform of collective negotiations, minimum wages and the development of derogating agreements, as we have witnessed in countries like Greece. The major international institutions are certainly aware of the risk of deflation, but in spite of this there has been no letup in their calls for a reform of the labour market. This is a very real danger and the social partners must remain vigilant.

Topic 2: What we want are coordinated economic policies between countries, the development of cooperation initiatives. This is something we must constantly repeat: European economic and monetary union cannot function if this demand for inter-state cooperation is not reaffirmed as an absolute and fundamental requirement. Of course, we must then seek to define fora, places where these forms of cooperation can become a reality. However, if we do not define these places or the systems needed to implement them, the risk of deflation will be further accentuated. After all, what possible advantage could there be if the European economy is based on States with a single currency but these same States are caught up in various forms of competition when they engage in trade? We must return to the type of competition that existed in the days of Jacques Delors, with informal meetings on wage policies in each country.

We must also lend our support to the approach underpinning the proposal tabled by the ESC and state clearly that this is an approach that was first advocated by the trade union organisations. European investment must be developed. Although Juncker's plans are more modest, they are pointing in the same direction. The way ahead is clear. However, we must also set priorities in this regard, reflect on the different forms of cooperation to be implemented and define the place where we can get around the table and talk not only with governments but also with the social partners.

There is another possible approach: Germany has very large trade surpluses, which translates into sizeable savings. What is Germany doing with this? Where is it being invested? These savings could be invested in Germany to develop infrastructures. This would be beneficial to the economies of neighbouring countries.

There is also an issue that was raised mainly in Rome: the presence of worker representatives in the decision-making bodies of companies (boards of directors or supervisory boards). This could provide a tentative response to the strategies of large companies in a way that affects strategic choices and offers guarantees to workers affected by restructuring operations.

Finally, an issue was raised by Joël Decaillon concerning the need for the social partners to seek a new form of socio-productive organisation to adapt to the changing configuration of companies and of their subcontractors.

To conclude, Mr Spinetta commended Jacques Freyssinet for the clarity of his comments and invited the participants to draw on the tremendous richness of all these discussions and to think about the different ideas that have been put forward to put together tentative conclusions that can be discussed at the final meeting in Paris. We can also draw, he said, on these tentative conclusions to draw up a series of proposals based on all these fruitful discussions.

❖ **Monserrat Mir**, International Secretary of the CCOO (Spain), said he very much appreciated the day's

discussions, from which have emerged many and varied analyses of the crisis at a time when the trade unions have little time to devote to these issues which are nonetheless absolutely essential.

As has been mentioned, the European trade union movement is very much under attack. We were hoping to export our social model outside Europe, but in fact this model has been snatched from under our noses. The change is of an ideological nature. We in fact feel like guinea pigs; we are survivors. The patient is being killed off. And the bosses have no complaints; the IMF is doing their work for them.

The trade unions must demand their right to exist. We must restore democracy in the European decision-making process. To this end, of course, we can put forward proposals, but we can also take the path of mobilisation.

Juncker has adopted the trade union plan in his program. That is real progress.

- ❖ **Manuel Bonmati**, Deputy to the General Secretary - International Policy - of the UGT (Spain), thanked Lasaire for organising this series of in-depth discussions on the crisis and the role of the social partners. The ESC has adopted a clear position, and that in itself is a step in the right direction.