

**Confederation of
German Trade Unions**

Executive Board

**Departments
European Policy /
Economic, financial and fiscal policy**

**Statement
by the Confederation of German Trade Unions**

**Learning lessons from the crisis:
put the social and democratic dimen-
sion on an equal footing with eco-
nomic and monetary union!**

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European crisis management, still predominantly based on austerity policies, is not working. The enormous economic, social and political costs of this form of crisis management can no longer be ignored. A radical change of policy is needed to set Europe back on a stable course. A solid and sustainable growth programme for Europe is overdue; the DGB has introduced a proposal to this effect into the debate ("Marshall plan for Europe").

People's trust in European politics and EU institutions is broken and needs to be won back. If this is to succeed, Europe needs a crisis-beating policy that will be fair and, above all, respect social rights and achievements, while expanding democratic rights for the European Parliament and the participation of all citizens.

Lessons must be learned from the crisis and the Economic and Monetary Union (EMU) needs to be renewed and strengthened. As well as reducing macro-economic imbalances (e.g. in investment, taxation, productivity, inflation), and social inequalities (unemployment, poverty, educational opportunity), social cutbacks must be halted as soon as possible.

Since mid-2012, a discussion process has been in progress to deepen or complete the EMU. The President of the European Council, Mr. Herman von Rompuy, has been called upon with the Presidents of the Commission, the Eurogroup and the ECB to present proposals for the short, medium and long term reformation of the EMU. These proposals concern reinforced economic policy co-ordination and/or economic governance as well as giving the EMU a social dimension.

The DGB emphatically supports the proposal to give the EMU a social dimension. This must be based on respect for the fundamental social rights bindingly defined in the Charter of Fundamental Rights; it must also promote fundamental social rights, including the obligation for social progress enshrined in the Charter, particularly with regard to improvements in living and working conditions for people in Europe. Social objectives must be placed on an equal footing with economic and budgetary targets for the EMU and anchored in the processes, whether these processes exist already or are still to be initiated. This requires the specification of a time frame, especially for short-term measures, and an action plan.

The DGB also welcomes in principle a stronger coordination of economic policies inside the EMU. However, it must be designed much differently from the way things have been done up to now. With their one-sided and narrow-minded focus on fiscal objectives and oncompetitiveness among member states, the economic governance structures created in the past few years have caused contributed to the intensification of the crisis. The kind of restrictive fiscal policy and structural reforms they aim to set in every member state are hostile to employment and growth..

The DGB has refused to recognise the present "Memorandums of Understanding" on financial rescue packages because they have destroyed economic dynamism, enforced the dismantling of social systems on a massive scale, and radically cut back workers' rights.

Instead of squeezing the EMU down to competition between national states (as expressed in the proposal for a "Competitiveness Pact", in which the member states contract with the Commission to meet agreed structural reforms, and are rewarded for compliance from a new fiscal capacity), the aim should be stronger cross-border co-operation in service and industrial policies, at least in the central sectors.

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The new parallelism between EU policies based on the EU treaties and intergovernmental initiatives (such as the fiscal pact) as well as new "intermediate forms" arising from the monitoring of intergovernmental treaties by the EU Commission or European Court of Justice, is causing a new lack of clarity for both the players (27 member states, Eurozone countries, EU institutions) and the European bodies (Council of Ministers, Eurosummit, etc.). This prevents transparency and democratic control.

Essential factors for social and democratic policy-making in Europe:

- Legal guarantees for collective bargaining autonomy: affirmation that wage setting is a national matter for the social partners and takes place according to national custom and national systems of industrial relations. Strengthening autonomous co-ordination of collective bargaining – by the ETUC, industry federations and national trade unions – is an important mission for trade unions in Europe with a view to the future. There must be no interference by EU institutions or the troika in national collective bargaining systems.
- To us, economic policy co-ordination means the promotion of collective bargaining coverage, the reinforcement of collective bargaining autonomy, social regulation of the labour market, the restriction of precarious employment, putting an end to the low-wage sector and halting the dismantling of social systems. The objective of all economic policies must be to achieve "equal pay for equal work at the same location". Minimum wages are an important weapon against wage dumping.
- Balance between economic, fiscal and social objectives: economic governance - within the European institutions and in its instruments- must aim for prosperity, high employment and better living conditions for people in Europe.
- The EU needs binding upward harmonisation of minimum social standards, common standards for a social minimum income and good healthcare provision. Social policy is an indispensable automatic stabiliser, especially in times of economic crisis. Recommendations in the context of national reform programmes must strengthen the European social model and must not be allowed to lever out or undermine national social systems.
- A co-ordinated anti-cyclical fiscal policy appropriate to the condition of the economy is needed, rather than compulsory restrictive fiscal methods. A fiscal capacity (on the lines of the long-term proposals put forward by van Rompuy and the Commission) that enables anti-cyclical fiscal policy reactions would be a move in the right direction, providing it is not linked to the enforcement of structural reforms based on deregulation and liberalisation of employment markets and the dismantling of social provisions.
- Europe needs more effective co-ordination in the fight against tax fraud and tax evasion. Instead of competition in taxation, there must be harmonisation of consolidated corporate tax base, and, if necessary, a minimum rate of corporate tax based on the European average of 25 %. Europe needs competition in innovation, not in taxation.
- The DGB rejects the proposals for instruments for convergence and competitiveness, as these are predominantly aimed at cost-cutting and the dismantling of social systems. Instead, the DGB calls for a European pact for growth and employment, for example in the form of a new Marshall plan for Europe. In order to set a different course for economic governance, corresponding social indicators must be included in economic policy assessment methods; for example participation in education, inequalities of income and wealth, poverty risks and social exclusion. In particular, the indicators must be symmetrically weighted in the score balance.

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- Democracy must not be allowed to stop at the gates of corporations, business operations or public authorities. For this reason, the aim must be to create economic and social rights of codetermination for works councils and staff committees, and to strengthen and develop information and consultation. Above all, existing codetermination structures must not be called into question.

Essential factors for the democratization of processes/tools:

- All new procedures/instruments must be designed to broaden rather than restrict the rights of the European Parliament. We need a new balance and co-ordination between the decision making authority of national parliaments and the European Parliament. We must not allow rights of the European parliament and national parliaments to be suspended or limited – yet this is under consideration in connection with the competitiveness pact.
- A review clause needs to be built into the economic governance rules, assuring that measures are reviewed as soon as they start failing to perform in achieving their objectives.
- The social partners must be fully included in designing the instruments and procedures for deepening the EMU, both at national and European level. The social partners must definitely be involved in negotiations about country-specific recommendations.
- Any new procedures intended to lead towards the country-specific recommendations by the EU Commission becoming increasingly binding on the member states must be generated within the terms of the valid treaties. They must acknowledge the objective of social cohesion and contribute to the improvement of workers' rights and the democratic participation of working people.
- The current macroeconomic dialogue must be intensified at national and European levels and improved at technical and political levels. Ministers for employment and social affairs must be included in the dialogue on an equal footing.s.
- Necessary treaty changes, especially for the purpose of effectively guaranteeing a Social Europe, must be developed in a convention. The DGB has always called for a binding social progress clause to be included in the treaties. Furthermore, there must be better guarantees in the treaties to ensure collective bargaining autonomy.