

6th EMF Collective Bargaining Policy Conference "Jobs, Rights and Collective Bargaining"

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DRAFT POSITION PAPER ON THE ECONOMIC CRISIS

After years of prosperous economic development the world's economy has been on the decline since the third quarter of 2008. Dropping down into crisis happened faster and more dramatically than expected, but it was not totally unexpected. The origin of the crisis was the bursting bubble of the US real estate market in late summer of 2007. By the end of the year, trouble in the real estate market had developed into a strong economic crisis. Finally, with the collapse of Lehmann-Brothers Bank on 15 September 2008, the smouldering financial market crisis produced a worldwide fire. Sub-prime products had been distributed around the world and now lay in the banks' portfolios. The supposed balancing of risk was hence converted into a highly explosive bomb.

This crisis as regards the financial system encountered a cyclic overproduction crisis, and each intensified the other. At the same time, all countries have been affected by the crisis. Not only the US, the UK and Spain, where the trigger was a crisis in the real estate market, but also the complete Eurozone were dragged into economic crisis. Big Newly Industrializing Countries like China still have positive growth rates, but with a weaker dynamic now. These slower growth rates cannot stop or compensate the worldwide economic decrease. Thus no one region of the world can play the role of economic locomotive at the moment. This is a fatal situation, especially for export-orientated countries.

The forecasts for the European Union are dismal. In the first half of 2009 the countries in the Eurozone suffered an even worse economic decrease than in the last quarter of 2008. In the last few months the free-fall of the world's economy has apparently been stopped, but at a low level. Most of the economic research institutes consider the bottom was reached in the third quarter of 2009. Monetary and fiscal policy measures slow down the decrease, but some measures like the scrap premium in Germany have come to an end. This creates negative effects on private consumption. There are still risks in the financial markets, which can have negative effects on producer industries once again. During the crisis many EU countries will suffer structural changes, which makes a return to the former economic dynamic more difficult. Current forecasts expect a 4% decrease in economic growth in the European Union (EU). Due to low production activity, both disadvantageous terms of financing and the retained expectations of sales investments will still decline. Empty inventories will be replaced, but at a lower level than before the crisis. A self-supporting recovery is therefore still far away and a double dip could also be possible. A return to the growth level of mid-2008 will not be possible before 2013.

With this background the unemployment rate in the EU will increase and could rise to 9.3% in 2009 and 10.2% in 2010. At the same time wages will increase more slowly. This could produce a devastating pro-cyclic effect on the European internal market.

With its 5-point plan for a New Social Deal, the ETUC has raised political demands for the introduction of instruments to ensure a better and more effective control of the financial market. This plan also includes social industrial policy demands with the aim of managing the structural change caused by the crisis. Investments in new, sustainable technologies, investments for the future and the negotiation of industrial plans can protect employment and provide more and better jobs. However, it is not only jobs but also the industrial structure in each country that has to be maintained to secure the workers' future and economic recovery. Plants which are closed today will not be reopened tomorrow.

We can support this 5-point plan for a New Social Deal. But the EMF considers that solidarity in collective bargaining is an effective instrument to defend workers' interests in the current crisis besides the above-mentioned political instruments. This solidarity in collective bargaining at European level must contain the following elements:

1) An active wage policy with the objective of a strong increase in real wages and income support

Strong increases in wages and income support for all categories of workers in an economic crisis are absolutely necessary not only for social reasons but also for economic reasons. Only with a secure income can internal demand within the European Union be stabilized and risks of deflation rejected.

2) Secure Employment

The trade unions' goals are to avoid plant closures and redundancies. Working time policy is an instrument which can secure employment in the current crisis. The spectrum includes flexible instruments like flextime accounts, short-time work, part-time work, temporary unemployment, training and education provisions, but also the reduction of standard working time, which is arranged via collective agreements. All systems should be backed up by access to unemployment benefit. The budgets for these flexible instruments must be enlarged in order to avoid a dramatic increase in unemployment and a social disaster in the EU.

3) Strengthening the European coordination of collective bargaining

In the current crisis we can observe tendencies of a relapse to protectionism within the EU. Such a tendency cannot be an example for the EMF and its affiliates. The crisis will prove the worth of the collective bargaining policy coordinated by the EMF. The EMF coordination policy is in fact even more important today than in the past and must be strengthened. Undercutting wages must be avoided at all costs and the EMF rejects all wage reductions.

4) Strengthening European cooperation at company level

The effects of the crisis are immediately visible at company level. The EMF provides an excellent framework and tool to coordinate the efforts of metalworkers' unions at European level. All of the EMF coordination methods at European level have to be used in an optimum way.

5) Stabilizing lowest incomes by minimum wages

The low-cost sector must be reduced in Europe. One means of doing this is to introduce minimum wages where relevant and to improve existing minimum wages at higher levels.

6) Enlarging and defending the coverage rate of collectively bargained wages

Collective agreements are the instrument by which employees' working and living conditions are effectively protected and created. The collective bargaining coverage in most Western European countries was stable in the past thanks to the unions' fight against the increasing pressure of employers and governments all over Europe. Collective bargaining coverage has now decreased in many countries and is below 50%

in the majority of EU's New Member States. There is a particular danger of even more pressure on collective bargaining coverage in the crisis. The defence and development of collective bargaining coverage is therefore a sphere of activity with growing importance for the EMF.

A redistribution of income from the top to the bottom is the best programme of economic revival in the current situation.
