

Workers' organizations as actors of European anti-inflation policies and drivers of innovation

The conference started with an overview of the EU's social agenda in the context of rising inflation by Antoine Kasel, Head of Cabinet of Nicolas Schmit, European Commissioner for Jobs and Social rights.

The context in which the European Commission (EC) must act now is completely different from the one at the start of the legislature in 2019. The European workers and citizens are facing a spiking cost of living, an impact never seen before from the pandemic and now the war started by Russia. Resulting in a skyrocketing inflation, slowing down now. On the other hand, the labor market shows resilience and the measures taken for short term work had a positive impact. But nevertheless, lower income households and lower middle class were hit extremely hard and are still in danger.

Companies are hit by the increase of energy prices, heavy competition from Asia and the lack of skilled workforce. Labor and skill shortages make it difficult to develop and European Labour Authority (ELA) stated that around 28 occupations have major shortages. At the top services, care and some technological industries. Reskilling and upskilling for the transition are very important topics for the coming period.

The directive on the minimum wage was a good legislative initiative and the recently adopted recommendation on minimum income must provide more security and secure that in the EU no one is left behind. Although a recommendation is a soft law instrument, it is stimulating member states to act, and it will deliver results in the long term.

The EC is responding to different domains at the same time as supporting the purchase power, industrial support regarding raw material, financial access, skills and recognizing qualifications, due diligence for the supply chain, etc. At the same time the EU must closely follow the developments in the US with a more nationalist agenda for economy protections, while the EU's economy is still an open economy.

More and quality jobs, decent wages, more women at work and childcare to support it. The European social market economy also needs good education, affordable and sustainable housing and the compass for the EC is the European Pillar of Social Rights (EPSR). The Commission wants to implement the 20 pillars. The Porto summit defined the goals including decrease of the poverty numbers and the EC has the scoreboard to follow-up.

The cornerstone for this social agenda is the social dialogue: social partners are important, and the EC provides a large package of measures to support it. But the biggest barrier lies in the provisions of the EU treaties which set the division of competences between national and EU level. For a lot of topics, the competence is situated on member state level and not on EU level. This requires good cooperation between MS and EU level. And it would be better if there was a stronger delegation to the EU level, but the treaties do not reach that far.

The current crisis puts the finger on the wound and requires us to revise the idea that everything can be made cheaply. For this mind shift EU needs the involvement of citizens.

A participant suggested looking at the approach of the reform in the education systems throughout European countries. Also, there is the competence situated at MS level, but the

reform was built on a common engagement of the countries to work together. And why should this not be possible for social matters?

Discussion with the audience:

Q. There is a big difference between development in urban and industrial environments and rural areas. It is unclear how the MS implements the social policies and recommendations of the EU. Looking at the care strategy, employment and informal employment, balance work life, is utopia in rural area. We can see all this as social human rights, but they are not guaranteed for people in the rural areas with less public services and how can EU change this? Rural living people are more affected? And what about the policy of the banks?

A. Access is one of the pillars of the EPSR and this is also for the rural areas. The implementation is a MS competence, and we know that this is not equal in the EU. We tried to have own resources at the EU level. Only 1% of the GDP. We made Europe but we need the Europeans, and this is not realized. EC wants to go in local areas but sometimes it is not supported by the MS. The EC wants long term care is affordable and fair implemented for all but in reality it depends on the initiatives of the MS.

Q. New topics are defense and the need for new kinds of raw materials to produce new products in the frame of new technology. How can EU contribute?

A. The EU's scope of action on these topics also depends on the provisions of the treaties, and it is sometimes better to have a stronger EU government. As example defense is not a EU competence, but at the start of the week there was an agreement on buying munition together. Green transition needs good governance. Before the transition people could buy cheap and now it changes and everyone feels more insecure, we need a balance. Decent work and due diligence is an EU regulation.

Q. Recommendation minimum income is not strong enough to support change.

A. The EC can only act within the framework of the treaties and recommendations are a possibility to push the MS and although it can be considered as soft law it helps, and the effect is sometimes better than hoped.

Q. Lot of young people live in a precarious situation, and it is not only a problem of skills, but also lower wages resulting in poverty, not affordable housing and a lot of other problems. Regarding poverty: 91 million citizens are living under the poverty threshold. Which is enormous. A top priority for social policies.

A. We need to decrease this number as stated on the Porto summit and the EC takes this seriously and feels responsible for further actions.

Q. EU is an old continent and has labor shortages. We have already migrants who work very flexible and some of them even working as slaves within work poverty and this requires a better policy.

A. We need a clear policy. EC and the MS must decide together. It is not only a Brussels topic. Migration policy is a big problem. Certain are in favor and others are against. Minimum wage is for everyone the same also for the migrants.

PANEL I: Securing citizens' purchasing power.

This panel moderated by Pedro Estevao, Member of the Scientific Council, CoLABOR, and national coordinator, BASE-FUT treated the following subtopics:

- Strategies for social dialogue in times of inflation: workers' perspective by Veselin Mitov, International Secretary for European Policies, Bulgarian Confederation of Labour Podkrepa.
- Strategies for social dialogue in times of inflation: employers' perspective by Isaline Ossieur, Adviser, BusinessEurope.
- Securing citizens' purchasing power: most recent EU-level initiatives by Dennis Radtke, MEP and EPP Coordinator Employment and Social Affairs.
- A timely and effective implementation of the adequate minimum wage directive by Torsten Müller, senior Researcher, European Trade Union Institute.

Inflation is a responsibility of everyone, a contingency phenomenon and there is no one size fits all solution.

Veselin Mitov: Purchase power and inflation are no new topics, but the current situation is extraordinary. Three generations of EU citizens did not know about this kind of inflation and lived in a more stable economic environment. Brutally disturbed by the Covid pandemic, the aggression of Russia with a strong impact on energy prices. A common observation in EU is that this Inflation impacts strongly the workers with low wages and this observation is equal for the different development models in the EU. The inflation is also stoked by the speculation on and the increase of the food prices. Also, in Eastern Europe the trade unions ask for more transparency on the prices of the essential food costs. Convergence between East and West Europe is required, but at this moment it is not realized for the wages, only for the food prices and the food costs. As a result that the low wage countries are hit stronger than the other countries and that the purchasing power in these countries thundered down more than in the West and Nord.

There is still a big gap between the minimum wages. Even after the EU accession, in Bulgaria are more people living in poverty than before. Everywhere are demonstrations and initiatives to put the problem on the table of the governments.

Isaline Ossieur: Situation is very complex now. Coming out of the crisis and are still in crisis. High energy costs, shortage in labor and skills and raw materials. 27% more bankruptcies in the fourth quarter of 2022 than in the fourth quarter of 2021. Avoid a wage/price spiral. Wage growth should go hand in hand with growth of productivity. Social dialogue should be the cornerstone of collective bargaining. Strike needs the right balance. Companies must deal with inflationary pressure. BusinessEurope sees a great willingness to find a compromise to these problems. A good example of collective agreement to tackle the wage issues was seen by BusinessEurope in Luxemburg. Luxemburg has an indexation system that was postponed in 2022, to restart it in 2023. In the meantime, governmental support for companies and for families. Also good was the choice in Germany for a one payment that did not impact the future. Denmark has a long tradition of social dialogue and collective bargaining, and the employers' organizations underline that the most important element for a good result of negotiations and to York together to a compromise, is the trust between trade unions and employers' organizations. They discussed the first sector by sector because not all sectors were hit as hard as the others.

Dennis Radtke: Which influence will this have on the polls these years. 42% are in doubt that they can pay the bills. And in France you see right populism reaching 40% of the voters, also in Germany where AfD in the east is the strongest political party. Do the political parties have a link with the citizens. Ban on internal combustion engines is for a lot of common people a drama. They must save money for a long period to buy a secondhand car not to show off, but to go to work. That is important to think about, and we need and acceptance of the citizens for a green transition. It is important to reach this green transition, but how can we

do this and keep an eye on the problems of the lower paid workers. Minimum wage is not for the short time, more for the long term, but we need more. Employers were not prepared to adapt the minimum wage, so we need political action. The chosen % is there for all the countries. Shorter working times was a good action during the pandemic and solved a lot of problems. How can we use this instrument also in the future? EU must provide an equal level playing field. The same for the minimum income.

Torsten Müller: Important observation is that the development of the real wages is decreasing in the last two years. Minimum wage is part of the social dialogue, but there is a big gap between the goals and the reality on the field. The indicators that matter is not often on the table, like the relation with purchasing power and the cost of living. Slovenia is an example with adequate criteria. The gathered information about the negotiations shows that in the most countries the minimum wage does not meet the European standards. There is still a long way to go. The European standard is that the MS need to make an action plan when there is not 80% of coverage. Only 8 MS have the coverage, rest must organize action plans. Preconditions collective agreement coverage. Sectoral collective bargaining with state support through extension is not everywhere. Policy recommendations from ETUI are timely transposition of directive in national laws, important element for the minimum wage is considered cost of living and the purchasing power, thresholds of 60% and 50% are a minimum to use as a benchmark not as the limit to reach. ETUC wants to push the MS to go quicker to reach the envisaged coverage in the EU directive.

Debate with the participants (a few topics):

Question from Lithuania: We have one of the lowest coverage percentages and we like to know if there are suggestions to find more motivation of employers. We must experience that even the public transport sector, which is a public employer, did not want to make a new agreement.

Answers:

Torsten suggests that a good incentive is to integrate the minimum wage in the conditions of public procurement. But it will go only step by step, it is a gradual progress. Nothing is going quick in this matter.

Isoline: Important is training and capacity building for the representants of the Eastern European trade unions. The gradual approach is important. And trust is the most important condition to reach agreements and that together with capacity building.

Veseline: The argument that the salaries cannot rise because it has to follow the productivity is false. Research of ILO shows that there is more growth in productivity than of salary. The gap is only widening.

Dennis: It is a pity that experiences that the employers' organizations always see threats in new initiatives of the EU. EU initiatives are aiming for better development and not to destroy the economy. Of course, has social peace a cost and is result of negotiations and involvement of the workers. Not everything will happen by itself.

Questions combined:

- We observe that employees are not allowed to unionize and sometimes it is even written in a contract (in a hidden way because it is only mentioned in the duplicate).
- Italy states that there is a 100% of coverage which cannot be real.

- A lot of employees are not members of the trade union, but they profit as well of the results of collective bargaining. It is time to have laws to eliminate the free riders on results of collective bargaining, why not a mandatory membership.

- We speak about labor shortage and competition: will it help salary raise.

Answers combined:

It will not be possible to realize a general similar agreement on all matters. There are differences and a new example is the approach of new working times in Germany and other countries. Not only between countries but also between sectors. An important gap between the EU Member States is the wages. Countries with wages of 400 euro and other countries. When workers have the possibility then they move to a country with higher salaries. The lower wages countries cannot compete. The only solution is the raise of the salaries to a more equal level.

Measuring the coverage needs new ways. At this moment it is not correct. As example Italy where also agreements on company level made between the employer and non-recognized trade unions are part the counting.

Year of skills is important. On the other hand, at EU level and national level employers are bombarded with new reports to make. Not only about wages. Employers' organizations ask that public policy must put wages on the forefront of the employer's thoughts, more than reporting.

PANEL II: Tackling inflation using monetary policy, but at which price?

This panel was moderated by Joseph Thouvenel, Confederal Secretary, French Confederation of Christian Workers (CFTC). Speakers were:

- David Sondermann, Deputy Head of Division Supply Side, Labour and Surveillance, European Central Bank, who gave an overview of the European Central Bank's response to inflation.
- Clément Fontan, Professor of European economic policy, Université Catholique de Louvain, intervening about the link between monetary policy and social justice.
- Renaat Hanssens, advisor, Research Department, Belgian Confederation of Christian Trade Unions (ACV-CSC), who discussed the role and vision of trade unions in the monetary policy debate.

David Sondermann: We notice a strong increase of inflation, supply bottlenecks in manufacturing and supply chains disruptions. Then there was the second shock with the raising oil and gas prices and food prices as result of the war. The demand peaked immediately after the lock down period because of the pandemic. A lot of elements were impacting our situation: decrease in prices expected to stay low, economic activity edging up again, unemployment rate decreases and labour force is growing seriously, Inflation driven by energy prices and food prices, core inflation is between 4 and 8 % in Eurozone and outside.

Demand driven and more supply driven now, some parts decrease, but not food prices which is a domestic price pressure and that is an important factor. Wage tracker, wage increase.

But not quite clear what is the reason for an increase of prices: supply costs or wages. Profits are also a driver for inflation.

ECB interest rates: monitoring how financial sector is moving, how the ECB policy has impact on households and lending rates.

Clément Fontan: The professor starts saying that it is new for him to hear that ECB is also looking at profit as a possible driver for inflation. And is happy to see that ECB is talking in front of a trade union audience. It is a pity that the ECB is following the same approach as in the late nineties to build on their policy tackling inflation. ECB put the inflation monster in a bottle because it is independent.

Before saying something about the actual approach Fontan looked back on the history. During the first years ECB was busy watching the inflation. There was stagnation because the gross domestic product (GDP) was not really going up and neither were the wages. Starting 2015 we saw the secular stagnations era with massive injections of liquidity search for structural factors, including weakened labor unions and the troika enforcing austerity policies all over EU. After 2021 started the poly-crisis. At the start ECB building anti-inflationary credibility and there was a constant call for wages flexibilization (end of indexation schemes and delete minimal wage) combined with so called structural reforms. Policy macroprudential debate, and the enormous impact of Energy costs on households leading to major inequalities. The professor also saw a Greenflation impacting our lives and economy. For a lot of people there were no problems, their incomes increased, but also the inequality in society was growing. ECB invokes its independence to pass this on to the policy people, yet as history shows, they have regularly co-policed. The same can be done now. ECB must do more for societal challenges like climate change.

After 2021 drivers were already situated by David. ECB had no direct tool against drivers of inflation rise, only the classics as interest rates, call for wage moderation and saw the dilemma of economic recession and that there is no growth in real wages, resulting in less purchasing power. Profits are still on the radar. Solution for Clément is shifting the narrative and forgetting the classic CB playbook. There is a need to tackle inflation but at the same time to support climate change and therefore why not dual interest rates? EP asks for more initiative in the framework of the secondary mandate, which complete the prior mandate on tackling inflation, but then the EP must offer more guidance on secondary objectives for the ECB.

Renaat Hanssens: He will be brief on statistics, because David already shows a lot of statistical material. His research and this of other important organizations shows that now profit costs and import costs are now more important for inflation than wages. Also, can be seen that the core inflation is still on the rise. Rise and fall of inflation were not caused by ECB monetary policy.

Inflation is harmful for workers in 2 senses. Real wages degrade and the value of savings decrease. Renaat is also pleading for a more prudent approach because the cure of higher interest rates could be worse than the disease.

The inflation is the result of supply side disruptions, covid 19, energy and food prices, some sectors amplified because of their exercise of market power (four big food companies have 8% of the market and use their power), not the result of significant excesses of aggregate demand (people restart their normal consumption but did not double it). Increase of interest rates be careful of risks of painful slowdown with increased unemployment and global debt

crisis, minimal impact on inflation, fiscal and other measures like alleviate particular sectoral inflationary pressure.

Discussion panellists:

David: The mandate of the ECB is important to reflect on, but a lot of actions are to be prepared by the government, fiscal policies are more important than ECB policies. ECB has an important role on interest rates and to help the economy to overcome this situation. Important for ECB is that income is stable, and employment is increasing. Society is not equal and so is there no size fits all measure. Example: not everyone holds assets in society, but housing (together with selling houses and increasing prices) is more divide under the population. Different environment and must look at the different pressure.

Clément: Price stability is the utmost goal, but can we question if independence is still the most important issue? For Clément needs the mandate more balance between the primary and secondary mandate. Inflation makes us poorer; it is important that the share must be divided between wages and profit, and this is a governmental responsibility not ECB. But we see that ECB is following the costs also wages and when there will be actions, ECB will be on the braze. ECB is never neutral in the war between capital and labor.

Renaat. Distribution of the shock is necessary, profit margins increased more and are on the highest points. Discussion is necessary to define when the elements of the second mandate are more important than these of the first. Price stabilization is the first and the ECB main objective. When will then climate come on the fore-front?

Discussion with the participants:

Q. How can trade unions influence the policy of ECB? Is ECB independent looking at the period of the Troika with a close cooperation and implement bale-outs? Do we measure if the decrease or stabilization is the result of ECB policy?

A. Renaat: Trade unions bring rational analyses; Belgian trade unions are part of the advisory board and hopes this can be achieved overall in EU. Clément: Independence is in Germany a prior and high valued point and even there was also a discussion with the TU. Troika not taken as a template, but it is important to increase the cooperation between ECB and other partners and so discuss the idea of lower interest rate for green investment and higher for fossil fuels driven energy, but it is not the ECB that has to make this policies. David: a bunch of indicators to follow the increase or decrease. Monitoring policy takes time too. Independence is important, citizens must trust the ECB and when they are connected to much to government how can they trust the policies of the central bank.

Q. In Portugal they observed a scandalous rise of the profit also because of speculation. On the other hand, the increase of wages was very low and not following the high inflation rate. Even increasing taxes impact the poor. The richness of some people was rising. How to control this?

A. David: We look as ECB to wage and profit growth and our policy is related to it. Competition is out of the hands of ECB. Concern is that when people want to buy a house with higher interest rates, but the actual situation was not normal. Working poor is for government. Renaat: Speculation is really an important issue now. Just look at the gas prices on the bourse of Amsterdam. Are they normal or just speculation? There must be an investigation and a control system.

Q. In Portugal we observe all kind of policies and still people are living in poverty.

A. David: we take all the elements into account but the distribution on well is more a point of the governments. But keeping inflation low is the goal and can help low-income workers, but the distribution is part of the social partners.

Q. Afammer observes that the world and Europe are facing a digital divide between rural areas and urban areas. They note that cash is disappearing (no cash withdrawal possible anymore). Can cash continue to exist in rural areas? In Spain some people have to travel 15 km to receive their pension.

A. Pursue of digital distribution is a governmental issue and you must give options for citizens.

PANEL III: Innovation and industrial future in a changing world order

This panel moderated by Sigrid Schraml, Secretary-general EZA had two panellists:

- Outi Slotboom, Director, Strategy and Economic Analysis, European Commission's DG for Internal Market, Industry, Entrepreneurship and SME's and talks about a resilient European Union: Reducing the EU's strategic dependencies.
- Qlexander Conway, Risk Consultant, Resilium talking about EU Industrial policy and the open strategic autonomy strategy: the challenge ahead.

Outi Slotboom:

The strategy starts with a list of products where the EU displays import dependencies like energy intensive industries, energy renewability, digital and electronics, etc. Also, a view on the EU strengths and weakness regarding key technologies. Advanced manufacturing batteries and hydrogen we have strengths. Solar production is almost in Asia, for semiconductors no leading factory and we have only 2% of the cloud situated in EU.

Global market in China is growing, all other markets are declining. EU single market: 23 million businesses, 15% of world economy, 31% in world trade (18% intra EU and 13% with third countries). Competitiveness supported by open strategic autonomy resilience of the Single Market, Green Deal and the new Industrial Plan.

EU must secure our supply chains abroad with reinforcing cooperation with international partners and increasing access to supplies internationally.

Ability of the single market: example can be vaccines productions over 3 billion doses produced in the EU, 100 meetings with vaccine producers, 900 participants show the possibility of the single market when there is a crisis. But a lot on ad hoc bases.

Now will be better prepared with risk monitoring, training stockpiling of goods, joint procurement, rapid coordination, etc

Green deal industrial plan with regulatory environment like net-zero industry act, critical raw materials and funding Repower EU, RRF, etc and Skills with year of skills with academies for batteries, solar etc and open trade for resilient supply chains with respond to unfair trade practices.

Alexander Conway:

For Alexander it is important to find the right balance in this strategy. Every choice will have a pro and contra. Important events like Brexit, Trump with American first, covid, Russian invasion had a big impact on the development of our economies and global relationships. And they make it necessary to rethink what seems before automatically evolving.

Working together is very important. Challenges can be brought together in intra the EU and external EU. Public intervention for strategic industries.

When we want to develop a strategy for the future then we have to look at the following issues. The funds that will be used to support the strategy: will these be managed by EU or by the MS because smaller countries have not the same resources as the bigger MS. EU need to balance all the initiatives like the RRF, obtaining extra incomes on EU level, who decides on what is spend, investments private or public and we have a disadvantage to US and China, labor force is also a challenge, environmental issues like the lithium mine in Portugal and Serbia with local protest, critical raw materials and what must offered, what compromise we want to make. Building pipelines, with Russia there are more elements. EU position in the economic war between US and China. Choice for electric cars is this helping us? Biden is a more polite Trump but with the same approach and will EU be dependent on swing voters. Security and stress tests are important. Defense industry and our identity as a peace project but now we are producing weapons and supplying another country at war.

Feedback of Outi: climate, labor force and other issues are important but not the reason to do nothing. Also a big fund to support industries. Also other countries have such budgets. State aid among MS is heavily debated, we need more on EU level, but now MS hold on to their competences. The European Commission works on new rules like due diligence proposal.

Discussion with the audience:

Q. What can we improve when the labor force is not available?

A. There is a shortage for high tech, pharmaceutical and others, but this puts upskilling and reskilling on the forefront of the EU strategy.

Q. Security is important for the workers, industrial inflation reduction act and we see the social elements that we want an equal level playing field for social securities in the EU. Now to much focusing on the climate.

A. I am not aware of all social conditionalities. In global trade relations is forced labor one of the focus issues for the US. They are looking at China and try to find out if there are regions with forced labor. If there are then the US wants to forbid imports from these regions. And in EU is this not for the moment.

Q. Good plumbers and artisans are also important for the economy, but how to make these jobs more attractive? Is social esteem the key to making it more attractive.

A. Education renamed as university for Artisans. SME policies are also important for this group of artisans: EC wants to make it easier to run a business and support the education systems. Dedicated action for girls/women to go into sciences and more gender neutral, good communication on the value of this jobs.

Q. Hydrogen has an important capacity. Electric vehicles are important. How wants EU to increase the production.

A. Lack of semiconductors is a problem. Better sourcing. There is also a Group discussing hydrogen development in the EU.

Q. Measures will take time and there is no quick fix. Could we react earlier? Did we rely too long on cheap products?

A. Alexander: Globalization and flourishing world trade meant that almost everything was delivered just in time, and this was a global format and it worked. EU was also built on this open way of working and therefore it was not necessary to react. Outi: To be competitive a company had to look at the cost and price level and buy from low-cost suppliers and at that moment there was no need to differ too other suppliers. This poly-crisis was not expected and there was no alternative. Values have shifted and climate change has been more included in company thinking. Hard problems like depending on the Russia, crisis consciousness has changed the thinking.



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