FINAL REPORT AND POSSIBLE COURSES OF ACTION

FOR WORKERS’ ORGANISATIONS

FROM THE EZA FINANCIAL CRISIS PROJECT 2009/2010

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I. INTRODUCTION
The global financial crisis, which was triggered by the crash of the New York investment bank Lehman Brothers in 2008, resulted, in 2009, in a worldwide economic crisis leading to one of the worst recessions since the last war. In the wake of this economic crisis, and the resulting employment crisis, between 50 and 100 million people have lost their jobs. The current damage to the economy is greater than the total value of all the goods manufactured and services provided in the USA in one year, corresponding to the counter value of around 12.9 trillion US Dollars. In 2010, the unemployment figures for the Euroland increased from 9.4% in the previous year to 10.3% and are estimated to rise even further to 10.4% in 2011. The fourth wave of the crisis, the high level of indebtedness, which was caused by economic programmes worth billions, tax deficits and increased debts, reached a new height in 2008 (after Iceland’s insolvency), because of the massive over-indebtedness of Greece and other EU states and, in particular, placed new strains and stresses on the cohesion of the European Union, since the former principle of “Shared money – separate economic policy” is currently being reconsidered. Assigning 750 billions from EU and IMF hardship funds, should allow other countries, where the Euro is on shaky ground, to be supported and protect the single currency against speculation and rate slumps.

In addition to the “possible bankruptcy” of some European states, caused by bank rescue measures and economic packages, the indebtedness crisis, however, has encountered other problems, since the recovery of the European economy depends on increasing demand from other parts of the world.

The economy did not recover from the crisis yet and across the world, many states are financially under pressure. The crisis was aggravated by the banks’ increasing tendency to drag their feet when granting credit to small and medium sized enterprises (SME). There is no money for the investment required, and we, therefore, see ourselves confronted by economic stagnation, which will make it even harder to service the states’ tax burdens, with the small businessmen, taxpayers and millions of workers being the worst affected. Many companies and consumers are in more debt than ever before and, for this reason, are using a greater and greater proportion of their revenue for the credits they have taken on board.

To date, those responsible for the crisis have still not been brought to account. Quite the opposite, those who have done most to cause the crisis – the major investment banks – are, at the same time, the winners, since the basic principles of the market economy have been disregarded. This is hard to comprehend for workers in Europe against a background of increasing inequality of income and the resulting growing chasm between rich and poor. In
particular, stabilising the existing banking system using billions of Euros instead of a root and branch reform of the financial system runs the risk of not preventing the crisis from returning.

As a network of Christian-social workers’ organisations (WO), we have observed these developments with particular care, especially their effects on workers’ situations. It is exactly in this difficult situation that our ethical principles, such as the creation and maintenance of sustainable jobs, a secure and fair wage and income situation for workers and the maintenance of the social security system are particularly important.

Within this context and with this conviction, between September 2009 and March 2010, EZA headed a project looking at the current financial, economic, employment and fiscal crisis, in collaboration with our member centres, the Onderzoeksinstituut voor Arbeid en Samenleving (HIVA, Belgium), the Christelijk Nationaal Vakverbond (CNV, Netherlands), the Fundația Națională CORESI (F.N. CORESI, Rumania) and the Fondazione Luigi Clerici (FLC, Italy). The aim of this project was to analyse and compare, by means of three regional conferences, the different effects of the crisis in Western Europe (Netherlands, Germany, France, Denmark and Belgium), Eastern Europe (Rumania, Bulgaria, Hungary and Poland) and Southern Europe (Italy, Portugal, Spain and Malta). The project involved assessing the regional measures, looking at successful initiatives in relation to the crisis – where available – and highlighting potential measures for the prevention of future crises. Another focus was the discussion of future strategies for WO and as well as drawing up recommendations for WO. In order to be able to make comparisons between individual regions, four key questions were discussed and answered in all seminars and these are presented below. In addition to the presentations from speakers and the contributions made to the discussions by delegates, this document is also supported by a research paper dealing with the financial and economic crisis, prepared by HIVA, which analyses the crisis, looks at the financial rules governing our financial system and looks into the employment strategies and the way the crisis has affected the social systems. The recommendations and suggested solutions given here can be traced back to the collaboration and participation of our many member centres.
II. ANSWERS TO THE KEY QUESTIONS

1a. What are the greatest (social) problems, which have been caused by the crisis in the various regions?

The financial crisis, which, in the meantime, has developed into a crisis of high indebtedness, displays specific characteristics, which make it different from previous crises: it resulted in a crisis that affected the financial institutions (banks, investment funds, etc.), it was global and, unlike previous crises, not limited to certain areas and its origins could also be traced back to the political failure with regard to the deregulation of the financial sector and the meltdown of the private banking sector and the investment sector in the Nineties. The lack of supervision and control of the financial sector at a national and international level before the start of the crisis made their effects even greater. At the same time, economic growth in the last few years, particularly in the USA, Spain, Ireland, Great Britain and the countries of Central and Eastern Europe were financed by the massive indebtedness of the private budgets. This indebtedness may be deemed to be the consumer’s response to the amount of revenue used and the increased amount of unemployment. This type of growth could, therefore, not create full employment – this goal could not be achieved in the last few decades. In addition, the financial situation of most states has, due to lower tax revenue, increased social expenditure and the cost of saving the financial sector quickly became worse. It should be observed that countries, where the level of private debt is greater than the level of public debt, are more greatly affected by the crisis.

The greatest problem was the growth in unemployment, particularly with regard to young people. The degree of training and education is only subordinate in relation to unemployment, since even well-educated people with academic qualifications are affected by the crisis. In addition, the reduction in incomes, caused by the crisis, (for example due to layoffs or short working) lead to an increase in the phenomenon of the working poor, as well as a growth in the informal sector, especially in Southern and Eastern Europe.

The enhancement of the demographic problem by the crisis was, in particular, designated as a central problem in Southern Europe. Whereas the pensionable age for financing the social security system as well as the average age of life expectancy is constantly increasing, we can also observe a downwards movement in the birth-rate and a lack of jobs for young people. On the one hand, the consequence of this is that many young people decide to pursue further studies due to a lack of perspective with regard to the jobs market, and, on the other, the necessary migration of workers and experts in some countries of the EU leads to xenophobia and racism.

A further fundamental problem was the lack of ethical conduct within the financial, economic and social sector as well as a loss of confidence in state and non-governmental institutions,
such as banks. Ethical principles are deemed to be insufficient, particularly, in relation to workers and as a framework for the jobs market.

The **deregulation of the financial and jobs sectors**, focussing on a short-term maximisation of profits, was considered to be one of the main causes of the crisis. The increased flexibility and the systematic cutbacks in social insurance obligations in terms of employment has, since the Nineties, resulted in the regulation of the finance markets and, on the other, in the long term to increased social inequality within society. Associated with this is the increase in **precarious working relations**, such as fixed-time working and short-term employment contracts.

Existing social problems, such as a lack of **solidarity** and responsible **conduct**, were made even worse by the crisis. However, relatively strong solidarity within the family, especially in Southern Europe, could be observed. Solidarity between generations, within society and tackling minorities can only be seen to a lesser extent.

Another problem was the **increased state indebtedness**, the lack of political vision and solutions, as well as dealing with the financial crisis and salvaging a financial system that was doomed to failure, which had led to the actual increasing of already large monetary institutes, by taking over smaller, more indebted institutes.

Within the **education and training sector**, there was a lack of correlation between training plans and the requirements of the jobs sector, as well as a lack of quality in terms of the lifelong training programme.

In relation to the SME, the lack of credit granted by the banks was identified as one of the main problems, since most of the new jobs were created in this area. At a global level, the **measures taken by the International Monetary Fund (IMF) and G20** in terms of unravelling the crisis by focussing more closely on the economic and fiscal aspects and the melding of the social dimensions of the crisis were seen to be unsatisfactory. In particular, in Eastern European countries, it was stated that public investments are entirely insufficient to overcome the current crisis.

**1b. How can these problems be solved sustainably by your organisation?**

The proposed solutions were subdivided into short- and long-term solutions.

In the **short term**, primarily, jobs should be protected using public money, as is the norm in some countries, by short-time working. In the Southern European countries, a reduction of the informal sector was called in order to create new jobs. Eradicating overtime in order to create new jobs was also suggested. The short-work system should be linked to the lifelong learning programme and should also be limited in time. There should also be a consequent reduction of

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1 The meeting of the finance ministers and heads of central banks of the twenty most important industrial and development countries.
the additional costs linked to wages, and solutions should be tailored to national contexts, which is not the case with the measures adopted by the International Monetary Fund (IMF).

In the long term, there should be more cooperation between schools and companies with regard to agreements regarding training and practice, and the importance of free, high quality education and training was mentioned. An additional priority was the enhancement of the social dialogue for all stakeholders. The consequent compliance with employment legislation and guidelines as well as a greater commitment in terms of “Corporate Social Responsibility” (CSR) were recalled by multinational companies. Due to the multiplicity of different contracts of employment, especially in Southern and Eastern Europe, there was a need for a standard legal regulatory framework to be introduced. At international level, the introduction of better control and monitoring provisions was considered to be a basic necessity for the financial sector. The creation of jobs should be promoted, and there should be further state investment in terms of the social security system. Therefore, the concept of “flexicurity” in the employment sector, as supported by the EU, was focussed more on security and not really the flexibility of workers. One of the most important goals of the WO must be including young people, women, migrants and pensions more and more into the jobs sector as well as enhancing the quantitative status of European works councils. In addition, it was argued that banks and companies that traded responsibly could be supported through targeted, ethical investment from WO.

2. Did the social partners and the civil organisations in the various regions play a part in developing national and European economic programmes?

There were very different responses to this question from the three regions: On a European level, the European Trade Union Confederation was involved in consultations with the aim of devising a European economic programme. This was approved by the European Council in December 2008.

In Western Europe, the WO were involved, at national level, with governments (tripartite) and at sectorial level, with employers (bipartite) in negotiations to draw up national economic programmes, with, in this region, the national social dialogue being of especial significance in terms of solving macro-economic problems, particularly for the future. The importance of sector-related dialogue at company level was highlighted in relation to the education and training sectors. The solution to the global crisis, however, required negotiations, agreements and the creation of a framework at international level, with tailor-made solutions having to be implemented according to the main problems at national level.
In **Eastern Europe**, WO were formally and in the eyes of the media, associated with orchestrated negotiations in terms of drawing up an economic programme, although, in fact, no direct negotiations ever took place. This can be traced back to the relatively weak position of the WO in Eastern Europe as well as a lack of experience, manpower and opportunities for self-development. This was the reason why it was also very important to increase the capacities and representation of the WO in Eastern Europe. There is a further problem due to the lack of any sector-related social dialogue. In many businesses, workers are not in a position to organise themselves. Trades unions are, de facto, not allowed, which represents a fundamental infringement of the basic right of freedom of assembly. According to the delegates from Eastern Europe, the global crisis can only be resolved through international agreements and regulations with specifically national programmes. In particular, it was stressed that the only way of overcoming the crisis was to link multinational companies and the major banks, since the governments do not have the necessary resources and the WO are not strong enough to meet their challenges.

In **Southern Europe**, WO did not, in fact, take part in drawing up national economic programmes. On the one hand, this was due to the lack of representation of several trade unions at national level, and due to the lack of structures for implementing such negotiations on the other, as well as selectively choosing social partners by the national governments. According to the delegates, the social dialogue is misused by the government for media-related stage management and the strived-for solutions merely mirror the political point-of-view of the government in power but not the concerns of the WO. According to the delegates from Southern Europe, the global crisis can only be resolved with international agreements and regulations with specifically national economic programmes, which focus more on the social dimension of the crisis. In addition, it was stated that the credibility of the trade unions, particularly in their current situation, is of fundamental significance and there must be greater collaboration between the various organisations.

### 3. How can the future role of social partners be enhanced?

The improved lifelong and continuous education and training of WO employees and their negotiation managers was cited as the most significant point, especially in the areas of the economy, finance and information and communications technologies (ICT). Another fundamental point was the increased collaboration between the various national and European WO, in order to prevent the current fragmentation and to give more combined weight to the organisations. Voluntary workers and collaboration with partners, such as civil organisations, could improve the expertise and capacities of trades unions. In this regard, it is decisive that young people are recruited, an area, which, in the past, has not been paid sufficient attention.
The money, which is managed by WO for its members, should be made available directly by banks and invested in companies, which practice the principle of CSR and ensure sustainable investment in the social and ecological sectors. This will ensure that the WO are able to co-determine the rules of the game for companies and be able to make direct decisions on the social effects of the money invested. This is a significant realisation, since the majority of companies and investors only have a slight interest in the make-up of their funds, although capital invested according to ethical criteria creates returns being no worse than any other sources of investments. Within this context, the “European Forum for Social Investment” (www.eurosif.org) is worthy of note, which aims to expand sustainable developments within the financial sector and develop them further, make the public aware of the issue, advise and support its members and provide those interested with information relating to national sources of investment in the individual European countries.

In the countries of Eastern Europe, in particular, in the future, it will be more and more important that the freedom of assembly is guaranteed at sector-related level within companies and workers’ rights enhanced in all member states. New financial resources could be made available following direct application to the European Structure Funds, and, in particular, the European Social Fund (ESF). According to the delegates, in the future, it is very important that people within the individual organisations are made more aware of European themes.

4. How can sustainable growth, sustainable employment and responsible negotiation be achieved within the EU – in consideration of social equality and a fair distribution of social provisions?

In order to achieve this goal, the enhancement of the social elements of the social market economy was seen as one of the most important points. In accordance with the original concept, the target must be one of economic growth and the economic development of people and their wellbeing, instead of accumulating profits and the wellbeing of the few. It was stated that we had to rediscover the balance between competition, solidarity and fairness. Within this context, there needed to be an effective and better regulation of the global financial and economic system. The creation of jobs with social insurance obligations and worthy of people, with fair wages that reflected the job done, instead of creating precarious working relations and jobs was designated as another priority, representing significant investments in the future. In the area of education and training, at European level, it was suggested that a policy of “Lifelong Learning” was financed and implemented. A company’s responsibility within the social sector should be tested at European and international level using a CSR strategy and are assessed and, if necessary sanctioned, on the basis of the company’s conduct and commitment. In addition, the increasing inequality within society, which has been enhanced by the current crisis, are dealt with by the afore-mentioned measures. In order to be able to ensure that future
speculation in the financial markets is more limited and controlled and since short-term speculations, in their previous guise, had been responsible for variations in share prices, the introduction of a financial transaction tax was discussed and called for. The revenue from this tax should be used to tackle poverty and social inequality and serve to separate the financial from the real economy. In addition, greater worker participation in the created added value of companies and the development of their rights of co-determination were also called for. The reconciliation of work and family life should also be made easier. In conclusion, it was decided that voluntary activities, especially in the social sector, have to enjoy greater recognition in the social area and have to be “remunerated” in non-monetary terms. In particular, people should be made more aware of family and education provision.

III. RECOMMENDATIONS AND POSSIBLE COURSES OF ACTION FOR WORKERS’ ORGANISATIONS
As already stated in the Declaration of Munich, on various different levels, WO have significant room for negotiation. They have to merge stronger out of this crisis, in order to have a stronger voice in the future as a negotiation partner at national, European and international level. For this reason, the recommendations below, based on the Declaration of Munich and complemented by the results of the regional conferences represent concrete recommendations for actions for WO.

Possible courses of action with regard to workers
With the support of employers’ organisations, WO should provide further impetus for the implementation of legal and collectively agreed minimum wages and flat-rate agreements, in order to ensure quality employment relationships as well as suitable and fair wages. In addition, they should ask the state to release low and middle incomes in order to stimulate demand, increase the time frames of unemployment assistance and tie these into further education programmes, promote qualification provisions for workers and force companies to put in place lifelong learning strategies for their workers. In addition, they should persuade states to lean on state-supported banks to grant credit to private households. In particular, the WO should improve their own capacities in the economic and financial sectors in order to involve more experts in consultations at a political level.

Possible courses of action with regard to companies
The WO should, in mutual agreements, convince companies that they should create variable working times and training programmes, instead of dismissals, as well as getting the State to persuade state-supported banks to provide credit-worthy companies, and, in particular, SMB with credit. In addition, the WO should persuade the State to ensure that companies have more
opportunities to build up their own equity by ensuring that workers share in the capital, and that workers have more opportunities for co-determination within the companies. In addition, companies should be persuaded to promote the reconciliation of families and work. Freedom of assembly and the organisation of workers into trades unions, which is ensured by law in all states of the EU, may not be undermined by individual companies. Companies should construct their CSR strategy and enhance the human capital that is their workers, in order to be in a position to prevent a dearth of qualified workers after the crisis has ended.

Possible courses of action with regard to the financial system
The WO are also obligated to call on the banks to negotiate responsibly with regard to society, in order to be able to ensure social fairness and sustainable employment relations for the majority of the population. They must, therefore, call on governments to create financial regulatory authorities that can negotiate and to implement an efficient and independent system of control at national, European and international level.

The WO should also support the restriction of consumer investments, pensions and insurance funds to the highly-regulated sector, call for banks to invest more capital as well as the separation of traditional banking operations from the investment sector, plus prohibiting banks from proprietary trading. In addition, they should call for the creation of a liability association for private banks and the certification of financial sector commodities by the State, which should call on the banks, over the next 15 – 20 years, to pay back part of the damages that they caused. In order to prevent speculation bubbles and reduce the speed and volumes of the financial markets, the WO should support and call for the taxation of short-term and speculative transactions by introducing a financial transaction tax (http://www.makefinancework.org).

The WO should persuade governments to regulate and monitor rating agencies according to traceable criteria, thereby limiting manager’s salaries and introducing a progressive income tax. Bonus payments should be phased out, unless they are transparent and target-oriented. The WO should also call on the G20 to follow their words with deeds and reform the financial system as well as calling on the IMF to bring the social dimension more to the fore when looking at solutions. In addition, the states must be called on to reduce the size of banks that have become even bigger as a result of the financial crisis (too big to fail), so that these, in the future, can no longer put the payment system at risk and the State is no longer weak.

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2 Proprietary trading is the name given by credit institutes dealing in financial instruments (money, securities, currents, commodities, metals or derivates) to trades in their own name and on their own accounts and which are not immediately triggered by clientele.

3 There is a worldwide initiative on a civil basis, which you can sign at http://www.makefinancework.org, thereby calling on the G20, at their meeting to be held in Toronto from June 26 to 27, to impose this type of tax.
Possible courses of action with regard to the state authorities

The WO should call on the states to define the sustainable, social market economy in relation to the social and economic model for the future and, against this background, call for the efficient implementation of the state economic programme at local, national and European level. In addition to the economic and social aspects, elements such as investment in education, lifelong learning and health, should, therefore, be at the heart of the programme. In addition, the scientific and research sectors, as well as long-term infrastructure projects should be promoted. A future-oriented model, which defines the relationship of the GDP to social output, thereby guaranteeing that a contribution is made to ensuring that the social security system persists in the future, should also be discussed by the WO. The State should also ensure that it promotes the creation of new jobs in future-oriented and sustainable areas and promoting alternative energies. The creation of a simple and fair taxation system, which stops tax exemptions for companies and banks and prohibits the complete transaction of profits, should also be promoted. In addition, the WO should call on governments and the European Commission to use the expertise of the WO to reform the financial system, not just advisors from the financial sector.

Possible courses of action with regard to tackling poverty

The WO in Europe are called on to play an active role in the “European Year for Tackling Poverty and Social Marginalisation”. In particularly, the situation of the unemployed and the working poor should, therefore, be at the centre of our attention. The growing reduction of “normal working relationships” though timed contracts, project contracts, mini-jobs and outsourcing, etc, should be counteracted with salary agreements and framework agreements at operational level. The WO should persuade their governments to increase the agreed proportion of development assistance of the gross national product to 0.7 percent by 2015 and to adopt the United Nations’ Millennium Development Goals. Another suggestion, which should be supported by both social partners, is the introduction of a financial transaction tax. Part of this tax income could also be used as additional resources to develop cooperation and tackle poverty.

Possible courses of action with regard to improve the social dialogue

The crisis has clearly ensured that the methods and structure of the social dialogue should be more effective in the future, in order to be able to guarantee effective participation of the WO in crisis situations. On the one hand, the social partners should work with one another to produce a suitable framework of negotiation and make concrete suggestions. At the same time, governments working with international experts should explore the options for negotiation to find a joint solution and implementation. The social partners would be in a position to suggest
and implement solutions at national and sectorial level and to define the priorities for workers in the national programme. A precondition for this is the actual inclusion of all WO in the national social dialogue, something that is not guaranteed in all EU countries.

**Possible courses of action with regard to the “EU 2020 Strategy”**

Against the background of the current crisis, a coordinated approach is required at global, regional, national and local level, taking into consideration both social partners and civil organisations. The use of central, ethical principles, such as the creation and maintenance of sustainable jobs, a secure and fair wage and income situation for workers and ensuring social security systems is of special significance for the EU and must be central components of the “EU 2020 Strategy”. In particular, the appearance of WO in subsequent employment relations includes the triple strategy of intelligent, integral and sustainable growth, which are understood by the European Commission to be an integral part of the “EU 2020 Strategy”. There must also be a sustainable social market economy strategy, which gives more space for social aspects and combines sustainable ecological, social and economic dimensions that are included in society. The afore-mentioned negotiation recommendations as well as the inclusion of WO in the implementation of a sustainable “EU 2020 Strategy” are of fundamental significance.

**IV. CONCLUSION**

The current crisis and the accompanying loss of confidence by people in the financial and economic system have not yet led to the financial architecture being reformed. On the contrary, it appears that the banks are even more gung-ho in their attitude to risks. In 2009, the financial markets enjoyed the same volume of capital as they did in 2007 before the crisis broke. There is still the same amount of speculation and credit is again being used for speculation, such as on Greece’s inability to pay its debts. Again huge profits are being made, with banks paying out high bonuses and neither the EU nor the G20 are able to implement any serious reforms. The disassociation of the growth of the real economy from the financial economy was also not tackled and the role of the financial system within the economy is as great as it ever was.

If one looks at the effects of the crisis, such as unemployment, precarious working relationships and indebted households, from the worker’s point of view, we can see that there is a loss of confidence in authorities and businesses. It is easy to see that again the business agenda is different from before and it is no longer acceptable that workers should have to bear the cost of crises for which they are not responsible. The financial sector must be under an obligation to repay the costs of being saved by the State. Workers’ organisations have an obligation to call on the State to adopt the afore-mentioned recommendations and to try to implement them, in order, in the future to be able to put in place a sustainable, social market economy.
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