Note from the editor: [international coordination of wage policies]

Cremers, J.

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The subject of this issue, the coordination of wage policies, is politically seen as a theme against the tide. In a recent publication ETUC economic advisor Ronald Janssen criticised the fact that European Institutions nowadays label wages and collective bargaining systems as a ‘rigidity’. In its 2013 country specific recommendations, the European Commission (EC) singled out 16 Member States that were called upon to reform their wage indexation systems, to weaken their sector bargaining systems and to decentralize bargaining to the company level. Furthermore, the European Commission recommended to limit the increase in minimum wages and to increase wage flexibility at the lower end of the pay scale. Ronald Janssen added that, if such recommendations were to become part of an enforceable contract between the Commission and the Member States, then social Europe would definitely be gone. Therefore, he recommended the trade union movement strive for a ‘wage safeguard clause’. The legal base of such a clause can be found in those Treaty articles that protect wages and social dialogue. But the question is whether this is enough, because Ronald Janssen’s observations are not accidental. In its Annual Growth Survey of 2013 the European Commission states that to restore confidence and return to growth, it is essential that Member States maintain the reform momentum. In the document, the Commission praises the market reforms that are being implemented across Europe. According to the Commission the ‘positive’ reforms are for instance the measures that ‘have been taken to facilitate flexible working arrangements within firms, reduce severance pay for standard contracts and simplify individual or collective dismissal procedures’. Further steps that are welcomed are the efforts ‘to enhance flexibility in wage determination, such as easing the conditions for firms to opt out of higher-level collective bargaining agreements and the review of sectoral wage agreements’. In the Joint Employment Report that is annexed to the Survey it is said that ambitious reforms are needed to modernise the labour markets.
I realised that this is all more than just pub talk as I talked to an Irish trade union officer. During the visits of the troika (o IMF, EC and ECB), the push has been in the direction of more opening clauses in sectoral based collective bargaining; individual firms should opt for company level negotiation, moving the industrial relations regime away from industry-wide collective bargaining. The advice was to let collective agreements expire without renewal. And, as my colleague said, according to the troika the problem in Ireland is that the trade unions can challenge this approach because too many workers are unionised. Therefore, the paradigm change is difficult...

In this issue of CLR-News some of our faithful CLR-friends reflect on the perspectives of wage setting and bargaining in the construction sector. Jörn Janssen, who acted as the sub editor, has collected the contributions. The subject articles are combined with the usual announcements and reviews. Also in this issue, a report of the Brussels-demonstration organised on 23 January by the EF-BWW, together with the ETUC affiliates in the transport (ETF) and agricultural sectors (EFFAT). Several thousand European workers from the building, transport and agri-food industries expressed their outrage at the economic exploitation and social dumping affecting numerous workers at the workplace. The participants urged the European policymakers to recognise the problems and take decisive action to tackle them. To ensure better monitoring of the European labour market, the trade unions called for a social Europol, a European social identity card, European liability for clients and principal contractors, clear definitions that distinguish between genuine self-employed people and employees, and stringent national controls with clear aims.

For a few years the idea has circulated to produce a ‘best of issue’ of CLR-News in other languages. CLR functions as a virtual and not-for-profit network and is not capable of doing this without the help of its volunteers. We expect to proudly present a selection of articles in German in a few weeks, thanks to the assistance of Hans Baumann, Elu Laux and Jochen Reus. If you are interested in the German version, please mail to clr@mjcpro.nl and refer to ‘CLR-News in German’.
INTRODUCTION:
IN FAVOUR OF UNIVERSAL EQUALITY

As an association of members of European trade unions and academic researchers in labour relations, the European Institute for Construction Labour Research organises seminars and publishes books and this journal. Ideally the journal ought to be a forum for debate. The subject of this issue has been a matter of debate in the European trade union movement generally and in the European Federation of Building and Woodworkers in particular for at least 20 years since the Maastricht Treaty on European Union and the introduction of the ‘free movement of workers’ (see Ernst-Ludwig Laux in this issue). Yet, to date, CLR-News has been virtually silent on international coordination of wage policies. This silence reflects a relationship between CLR and its membership dominated by an abstention from propagating trade union policies, observing rather a certain neutrality of research vis-à-vis its subjects. This discipline will be disregarded in this issue. It is explicitly programmatic and takes a position on a controversial issue and possibly provokes opposition. But how can CLR-News remain silent at this stage of universal social crisis and fragmentation of labour resistance?

Less than 20 years after the implosion of the socialist planned economy, its capitalist counterpart in its neoliberal stage equally collapsed and survives only under intensive care of individual nation states. Nobody can tell for how long this so-called austerity regime can be sustained. The fata morgana of a return to eternal growth certainly does not help to identify the causes of this economic crisis and to develop alternatives to a moribund socio-economic regime. The greatest obstacles to radical change are the institutions in which this capitalism was enshrined, in the first place the nation state. It is not surprising that this form of social government, though substantially eroded by the global economy, is now frantically being defended as a means to restore growth through competitiv-
The policy to cut wages and dismantle labour rights exacerbates social disparity, which has caused this crisis. It has to be realised that traditional institutions for the protection of social justice are becoming outdated and ineffective and that their defence may be counterproductive in a process of building a different society based on universal economic equality.

This crisis of financial capital has even further contributed to its global concentration and dissociation from the production process. Conversely, under the impact of unprotected and unstable employment relations, the organisation of wage labour is fragmenting particularly in those parts of the globe where labour organisation originated in the 19th century. Thus the preconditions of collective agreements between the organisations of employers, on the one hand, and employees, on the other, about the distribution of the social product through profits and wages are melting away. There is hardly a common forum for effective negotiations any more or the traditional partners cease to represent their former constituencies.

The concept of wage labour itself is at stake. If it includes all employees working for wages as well as salaries (and bonuses), even a part of the financial elite falls under this category. But, even if the layer of chief executives of large corporations and their close entourage are excluded, it will encompass a range of excessively dispersed earnings as well as utter poverty. Even those skill categories formerly fitting into a scale in which the lowest were 50% of the highest are becoming increasingly dispersed, not only between different states and regions but also within a single company or workplace. Furthermore, workers are employed under different types of contracts, directly and indirectly through agencies and gangmasters as well as self-employed. Again the borderline between employee, independent craftsman and small employer is often blurred. Under these conditions labour organisation needs to be redefined as a precondition for its effective organisation in the dispute about the distribution of the social product (see Vasco Pedrina in this issue).
Given this background of transformation in labour relations, CLR-News has a duty to widen the debate beyond the scope of trade union organisation. The editors have to seek contributors who, based on research and experience, may have access to more information and special perspectives on what insiders are accustomed to deal with every day. CLR-News may also publish contributions from inside the trade union movement elaborating particular neglected aspects. The criterion ought to be whether they may stimulate the debate by widening knowledge and opening new ways of thinking. The quality of information and analytical approach is determinant for the development of strategies. This is what CLR-News must seek to provide by all means as a basis whilst strategies will in the last instance remain the remit of the labour movement.

The subject articles of this issue are organised roughly according to the principle of progress from information to analysis. Hans Baumann provides the statistical evidence of ‘Inequality in Europe’, Roland Erne the assault on labour rights by the European Union, and Thorsten Schulten the consequences of this intervention on real wages. Ernst-Ludwig Laux traces the history of the debate within the EFBWW and the ETUC and its failure to achieve European wage coordination, whilst Vasco Pedrina assesses the present conditions ‘For a Europeanisation of social struggles’. These five articles are at best a first step, but they may inspire strategic thinking and ultimately feed into political action. CLR-News would be delighted if readers would respond with critical comments, further arguments or proposals for practical steps.

The heading is not in conformity with the contents of this issue. The sub-editor is personally convinced that European wage policies ought to be imbedded in a global strategy. He regards the national approach and institutional restrictions as the main impediments to coordination at European level. Transferring the practice of national wage regulation onto the European level, as the European Commission does with its
invocation of ‘European competitiveness’, would only support neoliberal economics, the very cause of the crisis. International coordination means abandoning the confines of the nation in favour of universal equality.

**RISING POVERTY AND INEQUALITY IN EUROPE - THE CASE OF THE CONSTRUCTION INDUSTRY**

The past decade has been a period of rapidly rising inequality in almost all industrialised countries as well as in the emerging economies of Eastern Europe and Southeast Asia. Also European countries, which are often tagged with the term ‘European Social Model’, have not been an exception to this trend. During a period of a few years, Europe succeeded in reducing regional disparities, so that there was a degree of convergence of wage levels in Southern and Eastern European countries towards those in core Europe. The financial crisis, economic imbalances and the debt crisis are now threatening to undo any progress made so far.

*Rising Inequality over the Past Decade*

The mounting imbalance between capital and labour, i.e., between the rich and the poor, has become increasingly clear and indeed undeniable at least since the OECD published its reports on the issue (OECD 2008, 2011). Inequality has been manifesting itself in, among other things, a shift in the distribution of income to the advantage of profits and the disadvantage of wages and salaries. The so called wage ratio, the share of wages and salaries in national income, has declined in most countries since the 1980s. The following chart displays this through the evolution over the last 20 years of the weighted average wage ratio of the 15 Western European EU countries. Paralleling the declining wage quota has been the rising share of profits. After hitting an absolute low in 2007, the wage ratio showed a short-term rise due to the rapid de-
cline in profits during the crisis, but has since been heading down again. The wage ratio’s downward trend appears to be unbroken, despite all the economic turmoil in Europe.

Not only has the share of wages in national income declined, but the distribution of the pay bill across the various levels of pay recipients has become more unequal over the past decade as well, and this has had a corresponding impact on household incomes. The Gini coefficient as an indicator of the distribution of income has in almost all countries risen considerably over the past decade. This is because top pay recipients have managed to increase their share of total incomes substantially, while low and medium pay stagnated in many countries, or only increased slightly.

The rise in the concentration of income has been particularly strong in the English-speaking countries. In the United States,
in Australia and in the United Kingdom, an EU country, the share of top earners in national income has even doubled since 1980. Also in the other large European countries, the concentration of income has increased, but to a lesser extent than in the UK and the United States.

**Regional Disparities Are Rising Again**

Not only in Europe as a whole, but also in the rapidly growing economies of Ireland, Spain and Greece the income gap was widening before the crisis. The increase in inequality was particularly marked in Portugal, which had formerly had a relatively egalitarian income distribution. Also in the emerging economies of Central and Eastern Europe, inequality had risen. So, not all sections of the populations benefited equally from those countries’ boom periods.

Despite increasing inequality within those countries, the living conditions of the vast majority of workers improved, purchasing power rose considerably and there was a clear decline in wage and income gaps between European countries. The
thriving economies of Southern Europe, of Ireland and later of Central and Eastern Europe made bigger wage increases possible, as well as a certain amount of convergence towards Western Europe’s wage and income levels, which was more or less marked depending on the country and its starting position. As regards the purchasing power of wages, Ireland had by the end of the last decade even managed to catch up with Europe's top group. There was impressive real wage growth in several Central and Eastern European countries, with 2001-to-2009 growth rates at between 24% (Slovenia) and 121% (Romania), though this was from a low starting level.

The 2007-2008 financial crisis, the eruption of economic imbalances, and the resulting debt crisis abruptly interrupted those trends. The economic slump in Southern European countries, Ireland and certain Central and Eastern European countries, the resulting unemployment and the reduction in real wages have all been severe. A large part of the real income growth of the last few decades has been lost and regional pay disparities have returned to higher levels.

The Construction Industry in a Vicious Circle of Economic Crisis and Wage Cuts

The construction industry illustrates especially clearly the relationship between debt, the public sector crisis, wage cuts, the reduction in consumption, and greater wage disparities. Initially, the 2007-2008 financial crisis severely affected the sector in those countries where a real estate bubble burst. That led already in 2007 and 2008 to a first wave of redundancies in Spain and Ireland, where between 20% and 30% of the sector’s jobs were lost. Already in those two years, gross wages fell by from 15% to 20%. A similar slump occurred in the Baltic countries and Hungary (Baumann 2010). The construction industry in Europe did indeed then benefit from the economic stimulus packages with which the crisis was fought. However, those programmes were not sufficient to trigger a real turnaround and durably to support the construction in-
Also after 2009, construction output continued to decline in most countries. In the euro zone, construction output has declined by more than 25% since 2007. In the EU as a whole, the decline was somewhat less severe.

 Especially for Southern Europe and Ireland, it is undeniable that the crisis was caused partly by over-production in the construction and property sectors. Some degree of correction was therefore a logical consequence and even necessary. However, the rise in unemployment and the loss of income and purchasing power it caused have been so massive that the impact on national economies has been dramatic.

Moreover, the ‘Troika’s’ fiscal plans, and the austerity and wage cuts they induced, had the effect of extending the building crisis beyond 2009 in Spain, Greece, Portugal and Ireland, and exacerbating it. This is a major reason that construction employment in Europe declined by about 17% from
2007 to 2011. The sharp fall consisted of divergent developments across the different countries. While the building boom continued in Poland, and also in Germany and Sweden employment increased, the construction industry stagnated or declined in most countries. The situation is dramatic in Ireland and Spain, where from 2007 to 2011 about half of the industry’s jobs were shed! Also Portugal and Greece have experienced above-average job losses. In Central and Eastern Europe, primarily the Baltic countries (represented by Latvia in the chart below) and Romania were affected, while in some of the other countries the situation slowly returned to greater stability.

<table>
<thead>
<tr>
<th>Change in Construction Employment</th>
<th>2007-2011 (in %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poland</td>
<td>-0.3%</td>
</tr>
<tr>
<td>Sweden</td>
<td>-1.4%</td>
</tr>
<tr>
<td>Germany</td>
<td>-3.5%</td>
</tr>
<tr>
<td>Switzerland</td>
<td>-7.2%</td>
</tr>
<tr>
<td>France</td>
<td>-9.1%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>-21.6%</td>
</tr>
<tr>
<td>UK</td>
<td>-25.8%</td>
</tr>
<tr>
<td>EU 27</td>
<td>-29.3%</td>
</tr>
<tr>
<td>Romania</td>
<td>-31.7%</td>
</tr>
<tr>
<td>Greece</td>
<td>-36.0%</td>
</tr>
<tr>
<td>Denmark</td>
<td>-36.1%</td>
</tr>
<tr>
<td>Portugal</td>
<td>-36.2%</td>
</tr>
<tr>
<td>Latvia</td>
<td>-46.0%</td>
</tr>
<tr>
<td>Spain</td>
<td>-52.1%</td>
</tr>
<tr>
<td>Ireland</td>
<td>-65.9%</td>
</tr>
</tbody>
</table>

Source: Eurostat. No data available for Italy.
Taking the case of the construction industry, one can demonstrate the effects of such policies on wage and income disparities in Europe. The elimination of jobs in the construction industry is being accompanied in the most affected countries by workforce reductions in many other industries, including the public sector, which is being hit particularly hard by the austerity policies. The result is a sharp increase in unemployment during this period, and growing downward pressures on wages. From 2007 to 2011, gross wages in the European construction industry declined by nearly 10% on average. This average number too reflects very different trends in the various countries. In Ireland and Spain, workers have had to suffer a more than 50% wage reduction. And that figure does not even take account of inflation. So the decline in real purchasing power has been much larger. Thus, income gains won over decades have been destroyed within just four years of crisis, and construction industry pay has been thrown back to the levels of the 1990s. In those two countries, the effects of the real estate crisis have been multiplied by the Fiscal Pact’s austerity measures, with fatal consequences for the living standards of the workers affected.

Source: Eurostat

Also Greek and Portuguese construction workers have had to stomach average wage reductions of about 20%. Among Cen-
Central and Eastern European countries, only in the Baltic States were the wage reductions similarly severe. But unlike wages in Spain and Ireland, those in the Baltic countries had increased as sharply in the previous three years, albeit from lower levels. In Romania, the job losses in the construction industry had apparently not yet been accompanied by wage cuts. Poland was the only Central and Eastern European country that, thanks to its construction boom, managed to show another marked rise in its average wage level.

As one would expect, construction workers’ wages increased in those Western European countries where employment expanded (Sweden, Germany, and Switzerland). But also numerous countries where employment contracted succeeded in preserving their wage levels or even in raising them slightly, e.g., the Netherlands, France and Belgium. The United Kingdom, however, saw relatively high price increases, so that the stagnation of nominal wages shown in the chart represents a roughly 10% reduction in real wages. The relative pay stability in countries like France and the Netherlands may be because their trade union protections and social security arrangements have been more effective in hindering wage cuts. Denmark was the only country in core Europe where a higher than average wage reduction of more than 13% occurred. However, in Denmark the number employed fell by about 25%, much more than in all comparable countries.

In Spain, Ireland, Portugal and Greece, austerity policies have gone hand in hand with the undermining of collective agreements, the sapping of labour legislation, and the weakening of trade unions. That has also been the case in most other countries, in and outside the Eurozone. But in those four countries, the implementation of such ‘structural adjustments’ has been a condition for the approval of loans. That opened the floodgates to all-out wage repression, which has become an integral part of both the rescue packages and the respective governments’ programmes (Pedrina 2011, see also Pedrina in this publication).
Needed Are Higher Levels of Employment and Greater Income Stability

After the decade of bottom-to-top income redistribution, Europe is now experiencing also a decade of casualisation and marginalisation among large parts of the active population, particularly in the debt-affected countries. The construction industry has indeed been hit particularly hard by the crisis and the austerity policies, as well as by the drift towards unemployment, wage cuts, deteriorating working conditions and forced migration. But the accelerated trend towards pay and income disparities in Europe is occurring not only in the construction sector, but rather in all industries, and it is still going on. In 2012 again, in Greece, Portugal, Ireland and Spain, average inter-sectoral real wages fell sharply (Schulten 2012/2). For millions of families in these countries, decreasing real wages mean declining incomes, less consumption, or even poverty. An effect is that the European economy is caught in a dangerous downward spiral. Declining consumption means less aggregate demand. As a result, production, imports and investment also fall back. This, in turn, causes a further rise in unemployment and decline in incomes. Through ever greater pressure on the deficit countries, blind retrenchment policies, widespread workforce reductions, and deep wage and pension cuts not only are regional disparities continuing to rise but also the economic crisis is being aggravated throughout Europe. It is not surprising that the European Central Bank recently forecast another year of recession for the Eurozone.

This vicious circle cannot be broken unless employment levels and purchasing power are stabilised in the debtor countries, and wages rise again. For that to happen, the bottom-to-top redistribution of the last decade must be reversed. Excessive profits and incomes must be siphoned off so that resources are freed up to create new, useful jobs through investment in infrastructure, education and training, public services and the ‘green economy’ (CLR 2011). In the Eurozone, the resources must be used also for debt relief and transfer payments, in order not only to save the Euro, but also and especially to pre-
vent regional disparities becoming so large as to shatter European integration.

Considerable responsibility falls on the European trade unions and the Left: together with the organisations in the countries most affected by the crisis, everything must be done to seek to prevent a further drop in purchasing power. The pernicious increase in regional inequalities can be prevented only by a common trade union wages policy, based on solidarity. The idea repeatedly debated since 2007 of introducing a system of Europe-wide minimum wages must be resumed and at last be implemented in order to put a floor under wages everywhere (Pedrina 2011, Schulten 2012/1). The same applies to the coordination, attempted several times since the 1990s, of collective bargaining policy at the level of ETUC and of the European trade union federations. The goal of common Europe-wide collective bargaining demands and their implementation must be revived. Ever larger disparities also foster new migration flows in Europe and thus the risk of reawakening all forms of wage dumping and discrimination. The primary impact is on the construction industry. Stricter worker posting rules and the consistent enforcement of the principle of ‘equal pay for equal work in the same place’ will be even more important than they have been in the recent past. That is how one can and must build an effective counterweight against the Troika’s escalating interference in collective bargaining and against its policy of shifting the burden of the crisis onto working people, via wage cuts and social retrenchment.

1. The Gini coefficient is a measure for the equality/inequality of income distribution. If income distribution is absolutely equal, the coefficient is 0; if all income is concentrated in a single household, the coefficient is 1.
3. The Swiss Think Network launched this year the idea of a ‘European Tax Pact’, which, in addition to a financial transactions tax, proposes, among other things, a uniform minimum rate and a similar framework for corporate taxation (Ringger, Baumann 2012).
BARROSO’S SILENT ‘SIX-PACK’ REVOLUTION.
Setting maximum national wage increase benchmarks for the EU’s member states.

Until recently, European elites firmly rejected the need for any coordination in the field of wage bargaining, because the market would automatically lead to the desired (downward) convergence of wages across Europe. In 2011, however, Commission President Barroso announced ‘a silent revolution’ (EUobserver, 16.03.2011) that led to the adoption of the ‘six-pack’ on European economic governance by a majority of the European Parliament (EP) and the Council. As a result, the Commission not only obtained effective tools in order to control member states’ budgets and economic policies, but also the right to issue enforceable maximum national ‘labour cost’ increase benchmarks.
Many Euro-Keynesian scholars hoped that the Euro crisis would eventually lead to a major breakthrough in European governance. Did the crisis not forcefully demonstrate that the monetary union also required a social and political union? After the crisis even their neo-liberal opponents had to concede that the belief in a spontaneous convergence of the economies within a Eurozone without stringent government structures was naive. But the political solutions that EU leaders have been propagating cannot comfort the supporters of a social and democratic Europe. Instead of laissez-faire, European elites are now imposing authoritarian solutions to the crisis, involving further privatisations of public services, welfare cuts, wage cuts, working time extensions, retirement age increases, and substantial labour law changes. These regressive policies are coordinated by the Directorate General for Economic and Financial Affairs (DG-EcoFin) of the Commission, the European Central Bank (ECB), and the International Monetary Fund (IMF). Ever since the EU and the IMF provided financial ‘help’ to Latvia, Hungary and Romania in 2008 and 2009, the so-called Commission/ECB/IMF Troika systematically included severe austerity and liberalisation measures in their ‘rescue’ packages for struggling EU countries. Yet, it would be wrong to believe that these prescriptions only apply to the European periphery. Since January 2012, all EU member states are obliged to respect the far reaching economic policy guidelines of the so-called ‘six-pack’ on European economic governance.

**The ‘six-pack’ on European economic governance**

According to the six new EU laws that came into force on 23 November 2011\(^2\), Eurozone countries that do not comply with the revised ‘stability and growth pact’ or are found to be in a ‘macroeconomic excessive imbalance position’, can be sanctioned by a fine of 0.2 per cent respectively 0.1 per cent of GDP per annum. The Commission’s authority over economic policymaking is also increasing because fines will now apply automatically unless a qualified majority of national governments vetoing them within a period of ten days. The times in
which EU guidelines could be dismissed as ‘soft law’ are definitely coming to an end.

In principle, the idea of European coordination of national economic policies is reasonable and progressive, especially if meant to limit competitive beggar-thy-neighbour policies. In some countries, for example, wages had been restrained much more severely than elsewhere. This contributed to declining wage shares and growing imbalances in the Eurozone. In order to prevent such a development, the ETUC and some of its European industry federations agreed wage bargaining coordination benchmarks already more than a decade ago but unfortunately failed to implement them in practice given the lack of any transnational trade union campaign in favour of their implementation (Erne 2008).

Employers and right-wing politicians, however, emphatically dismissed any idea of economic governance at an EU level until very recently, especially in the area of wages policy (Leonard et al. 2007). Business leaders believed that European coordination would only be in the interest of labour, as market competition within the Eurozone would – according to neo-liberal textbook economics – automatically lead to the desired downward convergence of wages. But, when the really existing European market caused economic imbalances rather than swift (downward) convergence of wages and working conditions, business interests had no problem with replacing the invisible hands of the market with calls for authoritative EU structures in order to trigger the desired ‘economic adjustments’.

Economic policy choices directly impact on the life chances of all workers and citizens. For this reason, one would expect European policy guidelines to be shaped by European citizens via their directly elected legislators or – in case of wages and working conditions – by the organisations of capital and labour. Yet, the European Parliament’s right-wing majority failed to push for democratic participation rights in European
economic policy making. Instead, the EP empowered the European Commission to design and operate its surveillance procedures largely undisturbed of democratic influences.

Although the ‘six-pack’ is establishing serious sanctions against non-compliant member states, the six new EU laws on economic governance also fail to define clearly several key terms. What constitutes, for example, an ‘economic imbalance’? The Article 2 of the Regulation (EU) No 1176/2011 of the European Parliament and of the Council ‘on the prevention and correction of macroeconomic imbalances’ simply states that:

a) ‘imbalances’ means any trend giving rise to macroeconomic developments which are adversely affecting, or have the potential adversely to affect, the proper functioning of the economy of a Member State or of economic and monetary union, or of the Union as a whole;

b) ‘excessive imbalances’ mean severe imbalances, including imbalances that jeopardise or risk jeopardising the proper functioning of economic and monetary union.

These definitions are so all-encompassing that no aspect of economic policy making falls outside its scope. The technocratic wording of the regulation also violates core principles of democracy and social dialogue. In fact, it assumes that economic policy making is not about reconciling conflicting interests, but about the realisation of a universal truth. For this reason, the Regulation and the European Commission speak about ‘proper’ and ‘improper’ rather than, let’s say, ‘neoliberal’ or ‘Keynesian’ economic policies.

**The Macroeconomic Imbalances Regulation and wages policy**

The ‘six-pack’ entails such a wide array of challenges for unions, social rights and democracy, that they cannot be adequately addressed here. This article therefore looks only at one Regulation and one aspect in more detail.
The new Macroeconomic Imbalances Regulation requires the Commission to design a scoreboard of quantitative indicators and to set ‘whenever appropriate’ lower and upper thresholds of any indicator used in the scoreboard in order to identify negative economic developments in the EU’s member states. The actual list of indicators of the scoreboard, however, is not included in the Regulation. Despite its far-reaching implications, the list was not drafted by the EU’s lawmakers but by a ‘Working Group on the Methodology to assess Lisbon-related structural reforms’ which is a sub-committee of the Economic Policy Committee (EPC). The EPC comprises two officials from the Commission, two officials from each Member State (e.g. from the Finance Ministry or even its Central Bank), and two officials from the ECB. The proceedings of the EPC are confidential.

The scoreboard includes indicators belonging to all economic policy areas, including those that are excluded from the competencies of the EU, such as wages policy. One of the eleven indicators that are used to decide whether a member state is pursuing ‘proper’ or ‘improper’ economic policies relates to the ratio of nominal compensation per employee to real GDP per person employed (e.g. to changes in the nominal unit labour costs). Hence, any nominal increases that go beyond the upper threshold set out in the scoreboard will trigger the Regulation’s correction mechanism that range from country specific in-depth reviews, corrective action plans, surveillance visits, to the substantial fines outlined above in case of non-compliance with the Commission’s corrective action plan.

The inclusion of a labour cost indicator is surprising because the ETUC succeeded in convincing the European Parliament to add paragraph 1.3 to the Regulation according to which this Regulation ‘does not affect the right to negotiate, conclude or enforce collective agreements or to take collective action in accordance with national law and practices’. However, the Commission seems to be interpreting this paragraph in a very particular way, namely as an interdiction to set a minimum
(but surprisingly not a maximum) thresholds for cost increases. In addition, the Commission and the ECB have demonstrated – most notably in their dealings with struggling Euro zone countries – how the tension between their demands for increased wage flexibility on the one side, and the bargaining autonomy of the social partners on the other can be solved:

In most Member States, wages are formed in a collective bargaining process without formal involvement of governments. Nevertheless, policy-makers can affect wage setting processes via a number of ways, including the provision of information or wage rules, changes to wage-indexation rules and the signalling role played by public sector wages. In addition, reforms of labour markets should also contribute to make wage setting processes more efficient (European Commission 2010, 15).

If one reviews the agreements that the Troika is imposing across Europe, there is no doubt about what is meant by making wage setting processes more ‘efficient’. Unions should lose their capacity to set binding sector-wide wage norms, as already advocated by leading European bankers at a French and German businesses roundtable in 1997 (Erne 2008: 54).

**Conclusion**

The Euro crisis has been triggered by the huge bank bailouts to protect the banking system against ‘systemic’ risks. But whereas support for banks and their bondholders, worth millions of millions of Euro, is apparently compatible with the internal market – in spite of Article 107 TFEU that forbids state aid – the ECB and EU policymakers are first and foremost targeting member states for their allegedly rigid labour laws and industrial relations practices.

These attacks have especially targeted workers in the periphery of the EU. In Greece, for example, the Troika not only imposed wage and welfare cuts, but abolished fundamental
principles of the so-called ‘European Social Model’ including the right to collective bargaining and universal health care. But one thing should be clear. If the attacks on fundamental rights are succeeding in Europe’s periphery, these rights will also come under pressure in Europe’s core countries. Whereas the Troika agreements only applied to the periphery, the new ‘Six-pack’ laws on European economic governance are in fact applying to everybody. Finland, for example, has already been advised to take action because the country’s nominal unit labour cost increase was higher than the maximum threshold of 9 per cent over last three years included in Commission’s scoreboard.

These are early days, but one thing is sure. The time now seems set for one of increasing conflict. Conversely, unions may also find it easier to politicise the decisions of corporations or regulatory agencies (such as the Commission) than to politicise abstract market forces (Erne 2008). Therefore, the current replacement of democracy by technocratic modes of governance seems to be reversible. Whereas the making the European single market and the monetary union did not yet lead to an effective coordination of union’s wage policies, the proclamation of enforceable wage ceilings by the Commission may be a crystallisation point for transnational union action. The determination of wages increase thresholds is an intrinsically political matter that should not be left to technocratic ECB, EU and national Finance Ministry officials. If they were really concerned about preventing economic imbalances in the Eurozone, they would have stipulated a minimum (and not maximum) threshold for labour unit cost increases. Europe’s current economic imbalances are indeed hardly the result of excessive wage raises but rather the result of the neoliberal financial capitalism that has developed over recent decades.

1. This text summarises a recently published book chapter of mine. For more detail and the academic references I used see Erne (2012).
4. Greece’s 2011 Troika agreement, for instance, stipulated that unemployed Greeks must pay all health care costs out of their own pocket when their employment related health care benefits expire (Alderman 2012). Hence, the Troika is forcing an EU state to abandon access to universal health care precisely at a time when Mexico and the USA are moving into the opposite direction.

5. The 9 per cent threshold is higher than many observers would have expected. Possibly the Commission chose this figure to make the introduction of the maximum threshold politically more acceptable. However, the 9 per cent figure can turn into a severe wage ceiling very quickly as nominal labour unit cost figures do not take inflation rates into account. Finally, it should also be noted that the Commission can change its indicators and thresholds any time.

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NEW EUROPEAN INTERVENTIONISM IN WAGE POLICY

How Collective Agreement Systems are being Dismantled by the Troika and a New Race to the Bottom for Wages is initiated.

The Greek trade unions and employers’ federations have appealed in a common letter to the Prime Minister not to touch the national minimum wage, which had previously been agreed by national collective agreement. Without success. Through an open infringement of the autonomy of free collective bargaining the Greek Parliament decided to lower the collectively agreed level of minimum wages by 22 per cent and for young workers (below 25 years of age) by even 32 per cent. In fact the main claim for such a massive reduction of wages did not come from Greece at all, but stems from the Troika of the European Commission (EC), European Central Bank (ECB) and the International Monetary Fund (IMF). The Troika regarded this as an important precondition for the recovery of the Greek economy and simply included wage reduction into the catalogue of measures to be implemented for allowing Greece to receive new credit from the European rescue fund.

European Guidelines for National Wage Policy

The development in Greece is exemplary for the new European interventionism in wage policy. For more and more coun-

Subject articles
tries Brussels sets concrete guidelines for national wage developments associated with threats of economic sanctions. This becomes most obvious for states, such as Greece, Portugal and Ireland, that at present receive money from the European rescue fund and, conversely, have to commit themselves to far-reaching reforms. In so-called ‘memoranda’ between the Troika and the respective states detailed regulations on wage policy will everywhere be found. Besides direct influence through the Troika programmes the ECB finally tries also to use the acquisition of national bonds as a political lever for enforcing certain political measures. This became public in particular in the cases of Italy and Spain, where the ECB vociferously pushed for changes in wages and collective agreements.

Besides this, at present wage policy is developing as a new area of European economic policy – with heavy consequences for national autonomy in collective bargaining. Though, strictly speaking, according to the EU Treaty (Art. 153, Para 5) there does not exist any competence for regulations in the area of wage policy, since the outbreak of the Euro crisis in 2009 the question of wages has shifted to the very top of the agenda. The legal basis for this is the Euro Plus Pact enacted in March 2011. In this pact the crisis in Europe is interpreted as a crisis due to the lack of economic competitiveness whose restoration depends in the first place on wage policy. For the implementation of the Euro Plus Pact with the so-called ‘European Semester’, a new European procedure of coordination has by now developed by which regularly also wage developments are being checked and recommendations on national wage policy put forward. If in individual countries the development of labour unit costs exceeds the maximum level of presently 3% per annum, as set by the EU, these countries can be economically sanctioned in a longer perspective.

**Public Sector and Statutory Minimum Wages**

The prime targets for this interventionism in wage policy in Europe were wage developments in the public sector and the regulation of statutory minimum wages. In connection with
austerity policy imposed at European level, one of the first measures was cutting wages in the public sector, or at least freezing them. Most affected in this respect was Greece, where the various wage cuts add up to about 30 per cent. Cuts in Ireland, Italy, Portugal, and Spain vary between 5 and 10 per cent, whilst subsequently wages were frozen at the reduced levels.

This was relatively easy to carry out because wages in the public sector were often regulated by law and not by collective agreement. The same applies to setting national minimum wages. Thus, in Ireland at the beginning of 2011 the statutory minimum wage was cut by one Euro per hour, a 12 per cent minus. The Troika did not agree to revise this reduction until the companies were offered respective compensations in their social security contributions. In the case of Portugal, the statutory minimum wage was frozen and the Troika was ensured a de facto kind of veto power for future increases.

**Undermining the Multi-employer Collective Agreements**

The interventions in the wage level of the public sector and statutory minimum wage policy are not least intended to influence the general wage development. Whilst up to date direct intervention in private collective agreements as in Greece are still rather the exception, direct intervention in private sector wage development is predominantly organised through political restructuring of national collective bargaining systems. Thus, on the part of the Troika, far-reaching demands are raised aiming at the decentralisation of collective bargaining because decentralised systems ensure a better ‘downward adaptability of wages’, in other words, facilitate the enforcement of wage cuts.

The demands of the Troika for decentralisation particularly affect South European states which traditionally use highly developed multi-employer collective bargaining structures at national and regional level. In the meantime, countries such
as Greece, Italy, Portugal, and Spain have carried out rather far-reaching changes in collective bargaining systems, which bear the potential of fundamental system change in collective bargaining policies. Admittedly, there still exist multi-employer collective agreements as before, but their reach and functioning has been undermined through many legal reforms. This has happened through, among other things, the introduction of legal clauses allowing for corporate departures, the partial abolition of the principle of best advantage, the possibility of differing company agreements through non-union employee representations as well as restrictions in generally binding declarations.

**European Race in Wage Cuts**

Following the crisis, the wage political pattern has changed fundamentally. In the last decennium up to 2009 all EU member states experienced a positive development of real wages, which was rather intensive in countries such as Greece and Ireland and more moderate in Spain, Portugal and Italy. Only in Germany have employees had to accept considerable losses in real wages over the last decade. However, since 2010 this picture has almost been reversed. Only few countries have experienced (usually low) increases in real wages, whilst in 18 of 27 EU member states real wages have declined. By far most drastic is the decline by 20 per cent in Greece, followed by Portugal with a minus of 10 per cent. Thus, the impact of the new wage political interventionism of the EU is clearly observable. It leads directly into a downward spiral of wage policy and consequently contributes to consolidating the economic stagnation in Europe.
EUROPEAN WAGE COORDINATION IN THE CONSTRUCTION SECTOR, NECESSITY OR ILLUSION?

Introduction
In order to make clear my response from the start, I wish to declare that I regard European wage coordination in the construction as well as in other sectors as immediately necessary, in particular in the Euro Zone, in order to avoid economic and social disruptions at the expense of employees as much as possible.

However, after more than 20 years of active efforts in this field, I have come to realise that collective bargaining policy agreed or coordinated at European level is virtually an illusion from a trade union point of view. The core business of trade unions, collective bargaining policy, is being pursued almost exclusively nationally. European influences and attempts at coordination can be detected only in rudimentary form.

Especially in the present Euro crisis, in some European states we see that income in the construction sector, including pensions, working time and other collective regulations, develop under the impact of massive interventions by national governments, which means, they are cut down without any effective counter-reaction at European level.

The introduction of the Euro and collective bargaining policy
Before the introduction of the single currency in 15 EU States in 2001, many scenarios were construed in the member states regarding how differing developments of productivity and also inflation rates would impact on the stability of the Euro and what role national collective bargaining might play. Today we realise that the individual member states have developed differently as a result of respective national wage developments and income policies, but above all also of different
tax laws, and that, consequently, the pressure on the Euro as a single currency has enormously increased.

In the past it was possible to adjust national currencies to larger movements of these parameters in order to maintain or restore international or European equality in competition. With the introduction of the Euro, common currency targets for financial politics have been agreed as binding for all member states. But, as collective bargaining as well as tax laws remained unchanged under national rule, the Euro crisis we are watching on a daily basis in the media was bound to occur.

As long as a united European currency (Euro Zone) exists, whilst the level of

- taxes on corporations and employees,
- income of pensioners under collective agreements, as well as
- social provisions and subsidies for businesses remain under national legislation and respective democratic procedures, disparate developments putting enormous pressure on the common currency are bound to happen. If markedly differentiated financial disruptions, such as occurred through the banking and financial crisis in 2009, interfere in this process, individual national budgets and legislative plans of the EU-States slip out of control, as proven by the evidence of the present Euro crisis.

Interim résumé

In the future, the Euro can be stabilised only if these developments can be adjusted according to unified criteria in open consultation among all partners, at least within the Euro Zone. Parachuting billions of Euro and one-sided austerity dictates against single Euro states will not succeed but will enormously increase Euro disenchantment and reinforce nationalist leanings of many people.
Attempts of the EFBWW towards wage coordination

The opening of the borders in Europe in 1993 for the provision of services and the free movement of workers created new conditions for employees particularly in the construction sector. Whether regularly or legally or also illegally employed, construction workers from low-wage countries tried to find jobs in high-wage countries. It was clearly observable that wage dumping in Europe from east to west and south to north took place on a considerable scale and put enormous pressure on the conditions of work and collective agreements in high-wage countries. After lengthy discussions in the bodies of the construction unions, the demand for ‘equal wage for equal work at the same place of work’ was formulated and a legal regulation to implement this demand was stipulated for Europe.

In 1996 the European construction unions, in common with the construction employers’ federations, were as a first step able to push through the institutions of European jurisdiction the Posting Directive: existing and generally binding collective agreements relating to the place of work were to be applied to all construction workers. One result produced by this development was that national trade unions came to be interested in working conditions in other European states in order to be able to provide information to their members taking jobs across borders.

A ‘Project about Working Conditions in the Construction Industry’ was carried out first by 6 and subsequently 12 EU states and documented in a study allowing the exchange of information about working conditions in this sector. Thereupon the delegates of the EFBWW general Assembly 1995 in Blankenberge/Belgium passed a ‘Fundamental Resolution on Collective Bargaining Policy of the European Construction Unions’ which demanded

- to establish and keep up to-date a data bank listing national wage regulations, working conditions and collective agreements,
to organise an exchange of collective bargaining officials across national boundaries in order to become familiar with the diverse conditions and practices of collective bargaining,

- to organise seminars in which minimum working conditions were to be discussed and also forms of ‘best practice’ exchanged,

- to develop a strategy on how European wage policy, or at least coordination of steps planned, could be implemented more forcefully and more consistently.

In the mid-1990s, in a number of sectors and regions, similar debates took place to the effect that the European Trade Union Council, as well as the national trade union federations in Belgium, Germany, France, and the Netherlands (a few EU states joined them later), initiated the step commonly known as the ‘Doorn Process’. This meant that trade union officials in charge of collective bargaining in various sectors and countries met once a year in Doorn/Netherlands in order to discuss the next round of collective bargaining, to set the level of demands, and a schedule of procedure.

Parallel to these general developments, the EFBWW has

- organised regular seminars on collective bargaining policy,

- set up a regular working party of collective bargaining officials, which held meetings in parallel or commonly with the permanent building committee, usually in Luxembourg,

- worked out studies on income, wages, working time, and other conditions,

- produced surveys, tables and graphs on these subjects, which played an important role in international collective bargaining policies, given that the equalisation of working conditions at the highest level in the Euro-Zone was set as a target.

During this period cross-border workshops also took place, for instance between Austria, Switzerland and Germany, bet-
ween Denmark and Germany, Sweden and Germany, Italy and Germany, as well as between the Netherlands, Belgium and Germany. The paritarian social funds under collective agreements of the construction industry in EU states in particular promoted dialogue through diverse conferences and seminars. All this information was discussed regularly in the deliberations of the permanent building committee of the EFBWW and documented in detailed minutes.

Interim résumé: Particularly since the putting into force of the Directive on the Posting of Workers and the introduction of the Euro, under the coordination of the EFBWW as well as bilaterally, many attempts have been made to achieve European coordination of collective bargaining policy. The first positive results could be documented in agreements and resolutions.

European wage coordination in practice
The comprehensive reports and information were very good and informative. However, near nothing of the resolutions and targets of the conferences and bodies of the EFBWW were implemented in the practice of national collective agreements. Particularly during the years from 1998 to 2005, national economic developments were very different in individual EU states and the respective national governments reacted with very different measures. Thus, for instance, high-wage countries responded with stagnation of income or reduction in social provisions. In some other countries experiencing a great building boom, conditions were favourable for improvements in income for building workers. EU states bordering on East-European countries had huge problems with wage and social dumping by East European building workers with the result that collectively agreed income rose significantly slower than in other EU states. The guideline that collective rates ought to follow the rate of inflation plus rise in productivity was implemented very differently in the individual EU states.
As an interim statement we have to realise that coordinated European collective bargaining was practically non-existent.

If we look at the European development of real wages between 2001 and 2009, as analysed annually by the Economic and Social Institute (WSI) of the German Trade Union Federation, the span amounted to plus 121 per cent in Romania and minus 6 per cent in Germany (for more data see Thorsten Schulten in this issue).

These data demonstrate the national character of collective bargaining in spite of agreements on European targets between the collective bargaining officials. National pressure on trade unions and collective bargaining was more powerful than the idea of Europeanisation and of achieving ‘best practice’. This process clearly led to the downward equalisation of income levels. Some high-wage regions could not defend their advantage. A decline in income and social provisions was the wide-ranging result.

Since the financial crisis from 2008/9, which progressed into an economic crisis and triggered the present Euro crisis, the construction industry was particularly affected by the bursting of the property bubble. This is why the national approach to collective bargaining was again drastically enforced. There was no European coordination but only national bargaining according to the motto: ‘Every man for himself’. Recent results show that under enormous political pressure wage reductions and worsening working conditions are pushed through in Greece, Ireland, Spain, and Portugal whilst collective bargaining autonomy is being toppled despite trade union resistance. (See also Roland Erne in this issue) At the same time we must realise that in many other EU states normal collective bargaining takes place and wage increases are being agreed. The WSI has documented the development of real wages for the period from 2010 to 2012. They are poles apart, between plus 16.4 per cent in Romania and minus 20.2 per cent in Greece. (see Thorsten Schulten in this issue)
For the period since the 2008 crisis we have to realise:\1:
\bullet the national approach to collective bargaining has become more entrenched;
\bullet as a consequence of economic development away from each other income development in individual EU states also drift apart;
\bullet all national construction unions try to define their development of income nationally.

Résumé
15 EU states have a common currency and a great number of economic targets which are regularly registered and controlled at EU level with regard to compliance with European standards and targets. However, collective bargaining policy to determine levels of income as well as working conditions, e.g. in construction, is especially nationally defined. This reflects national economic developments. A building boom in Spain and Ireland makes incomes explode, whilst in the crisis, as we see at present, they are drastically reduced through political decisions. There is still a long way to go towards a coordinated European bargaining policy, but it is a path that needs to be trodden because otherwise not only the value substance of the Euro but also social justice will suffer dramatically. The cohesion of the people of Europe will decline.

European wage coordination must not remain an illusion!

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1. With financial support of the EU-Commission between 2009 and 2011 the EFBWW has carried out studies on wages, working time and pensions which documents these developments.
MOBILISATION FOR A CHANGE OF COURSE IN EUROPE: CHALLENGES AND OPPORTUNITIES

It is time to re-examine our strategy, if we do not want to watch over an irreversible decline of the European trade union movement. The only realistic option is a quantitative and qualitative leap in political action and concerted mobilisation across Europe. The time to achieve such a leap is limited. Indeed, there is a serious risk that the ‘Fiscal Compact’ as well as the austerity plans will cause such an increase in imbalances between and within countries that social and political tensions become unbearable, as a result also of the rise of populist right-wing forces, with devastating consequences for our movement.

Where are we today?
The neoliberal steamroller continues its work of social dismantlement, even challenging the very principles that have hitherto founded the European social model. The end of the tunnel is not in sight. A comparative study of the labour legislation reforms in the various countries reveals the unprecedented scale of attacks on workers’ rights and against trade unions, especially in the deficit countries of Southern and Eastern Europe.

Despite a worrying weakening of trade unions in many countries, the number of mass demonstrations and strikes has increased, especially in Southern European countries. In some cases, their scale has been impressive. But their impact has been quite limited. In no country has it been possible to stop the continuing downward course. In fact, only a movement towards mass mobilisation, co-ordinated over time at the European level and coupled with a change in the political context, could achieve such a change. But unfortunately we are far from that point, even though ETUC’s European Day of Action of 14/11/2012 was a source of hope.
Why is that the case and what can we do to get out of the current impasse?
The trend towards a ‘national withdrawal’ of trade unions appears to be continuing in an almost inexorable manner. On
the one hand, everyone is caught up in national defensive struggles. On the other, the highly uneven developments be-
tween the so-called surplus countries and the so-called deficit countries, along with their political repercussions, are under-
mining the basis for solidarity. On top of that, there are the differences in both trade union demands and culture and tra-
ditions, or in the objectives and rhythms of mobilisation. That can be shown by our debate on how to counter the ‘Fiscal
Compact’, but also by tracking the evolution and the dynamics of the trade union mobilisations that have taken place so
far.

For a minimum wages policy and for closer co-
ordination of collective bargaining policies in Europe
Two developments are making European wage issues particu-
larly urgent:
• on the one hand, all across Europe, inequality, the inciden-
ce of low pay, the number of working poor are constantly
on the rise,
• on the other hand, through the ‘Six-Pack Pact’, the Europe-
an Commission has recently acquired effective instruments
to call free collective bargaining into question and to im-
pose a fall in wages.

This confronts the trade union movement with a double chal-
lenge: that of developing a European minimum wages policy
and of responding to the EU authorities' co-ordination of low-
wage policies with closer trade union co-ordination of collec-
tive bargaining.

Regarding the first challenge, it has not been possible in six
years to agree on a joint counter-offensive in the minimum
wages field. Within ETUC, the only progress achieved is a
green light for a recommendation to the affiliates to engage
in their own countries to obtain at the national level, either by collective agreement or by legislation, an effective minimum wage of not less than 50% of the average wage or 60% of the median wage. Some national confederations continue to oppose any joint initiative for fear of being subjected to downward pressures in their own countries (or because they believe those percentages to be too high). However, no study conducted to date has been able to prove that the introduction of a minimum wage has had such an effect.\footnote{In the context of an offensive European trade union strategy, this issue represents a key component.}

As to the second challenge, the discussion within ETUC has been unable to lay the groundwork for substantially closer collective bargaining co-ordination. Traditionally, collective bargaining systems have been highly decentralised. Before being able to co-ordinate collective bargaining in Europe, it is necessary for inter-sectoral co-ordination to be established at the national level, which is not the case in the majority of countries. Consequently, the most promising approach is that of seeking closer co-ordination at the levels of the European sectoral federations and of neighbouring countries with a common cultural background.

**The struggle against wage dumping and the dismantling of workers’ rights**

Wage dumping pressures and attacks on workers’ rights have increased just about everywhere, following the rulings of the European Court of Justice in 2008 and the proliferation of pro-market and labour legislation reforms. A European campaign on this issue could be one of the major levers for a European counter-offensive by the entire trade union movement. This is in fact why the Swiss Trade Union Confederation proposed to the 2011 ETUC Congress, Athens, that a European Citizens’ Initiative (ECI) be launched on the subject.\footnote{Such an ECI would have been aimed at pressing for the necessary legislation to anchor two closely related principles:}

- the primacy of fundamental social rights over free-market
economic freedoms,
• the principle of ‘equal pay in the same place for work of equal value’.

The Congress chose to give preference to a counter-proposal committing ETUC to conduct a campaign entitled ‘equal pay - equal rights’, in effect, without an ECI, which is still struggling to take off.

What is underestimated is an ECI’s potential, as a lever for decentralised efforts, to raise awareness in workplaces and on the streets, as well as for political pressure activities on a trade union objective that is shared throughout Europe.

With or without an ECI, the need for a European trade union campaign on the above principles is growing ever more urgent, given not only the effects of the various ‘Pacts’, but also the new draft directives under parliamentary consideration: draft directive for improving the application/enforcement of the Posting directive, draft directives on ‘inter-company transfers’ and on immigration, etc.

For an alternative to the ‘Fiscal Compact’ and a New ‘Social Compact for Europe’
The most important challenge today is certainly that of a union strategy towards the ‘Fiscal Compact’. There is agreement within the ETUC in recognising that without an alternative to the permanent austerity imposed by that Pact, the pre-announced death of the European social model will soon become a reality. Fortunately, agreement on an alternative programme seems to be easier to achieve than on the other above mentioned subjects, even though, even here, there is no lack of obstacles. The clearest example is ETUC’s demands for Eurobonds and an at least partial sharing of the sovereign debt, a central point of any genuine alternative economic policy. The trade union confederations of a good number of ‘surplus countries’ are either flatly opposed to the idea or agree to it without clearly saying so. Another example is the
debate on the future of the euro. Those on the left advocating an exit from the euro of the Southern European countries support the thesis that the euro has failed. The rules being imposed to save it, they say, are a threat to democracy and peace in Europe. Better an end with horror than horror without end! Within ETUC itself, however, there is a broad consensus that there is no positive alternative to the euro. Its collapse would have dire consequences for workers. But a common currency requires a different form of economic governance, with a common fiscal policy in the service of social policies and of a countercyclical investment policy. The ECB should become the ‘lender of last resort’ for sovereign debt. The EU should press for the construction of a properly regulated financial sector, in the service of the real economy.

**But what needs to be done to make those proposals prevail?**

In December 2011, on the initiative of Spanish trade unions, a call was launched for a new ‘Social Compact for Europe’. The debate on this issue led to the adoption in June 2012 by the ETUC Executive Committee of a proposal for such a social compact, comprising not only the said economic component, but also an extensive social as well as a political component. The notion of, on this basis, sparking a societal debate on the founding values of a Social Europe is good if it is designed and developed with a view to highlighting the vision of the Europe for which we are fighting, at a time when the disappointment and disbelief that greets anything coming from the EU is throwing large sections of the workers into the arms of anti-European right-wing populism. The idea would be even better if it were designed within a logic of mobilisation, something that cannot be taken for granted.

**For a Europeanisation of social struggles and political-trade union action**

True, the 2011 ETUC Congress did adopt a motion from the Spanish confederations CCOO and UGT calling for serious consideration of the feasibility of co-ordinated strikes, or even a
European general strike, but without much conviction. In response, the UNI Europa and EFBWW (European Federation of Building and Woodworkers) sectoral federations, at their Congresses in the winter of 2011, floated the idea of a longer term campaign, based on European Days of Action. The ETUC Day of Action of 29/02/2012 ‘Enough is enough – Alternatives do exist!’ was a first attempt in that direction, but it did not exceed the contours of symbolic actions. Under the massive pressure of several Southern European trade union confederations, who are confronted by an increasingly dramatic situation, things were different on the ETUC European Day of Action ‘For Jobs and Solidarity in Europe. No to Austerity’ on 14/11/2012. For the first time, general strikes took place simultaneously in Portugal, Spain, Greece and Italy. In France, in Belgium (with a strike in the railways) and in some Eastern European countries, there were large demonstrations. The weaknesses in this mobilisation, especially the persistent gap between the scale of the strikes in the South and the relative trade union passivity in Central and Northern Europe, cannot detract from the fact that this was the first leap forward on the path to a broad European trade union offensive, capable of changing the situation. It is significant that this change was noticed, in the ranks both of the workers and of the media and politics. In the voice of José Manuel Barroso, President of the European Commission, this is how it sounds: ‘There are fears within the Council of Ministers and the EU Commission concerning the social situation, which is considered to be politically very perilous.’

Closing the trade union gap between the South and, on the other hand, the Centre and the North of Europe, on the basis of a logic of solidarity, is undoubtedly the primary task to which every trade unionist of goodwill must be committed. To that end, awareness-raising weeks, like those organised jointly by the unions Ver.di (D), GPA (A) and Unia (CH) in November 2012, are welcome contributions. Also the European protest action ‘Stop social dumping - Stop social exploitation’, which EFBWW organised with its affiliates on 23 January 2013
in the run-up to the parliamentary debate on the draft ‘Directive for improving the application and the enforcement of the Posting Directive’ is relevant to that approach. The reason is simple: it is especially in the various sectors of the construction industry that wage and social dumping - due to subcontracting, bogus self-employment, unprotected immigration, etc. - affects workers in Southern Europe as much as in Central and Northern Europe, which, for once, facilitates the establishment of unity in a common struggle.

Building that unity is essential if we are finally going to turn social power relationships back to our advantage. And this without forgetting that trade union strength alone will not be sufficient to bring about the intended change of course. For that, we need also systematically to forge social and political alliances. Political changes in Germany, Italy and some other countries as well as in the European Parliament, combined with further steps forward in our trade union struggles, could indeed open the door to a new ‘Social Compact for Europe’.

1. Vice President of the BWI (Building and Wood Workers’ International) and representative of the SGB/USS (Swiss trade union confederation) on the Executive Committee of the ETUC (European Trade Union Confederation)
5. Already announced by Mario Draghi, president of the ECB in the Wall Street Journal, in February 2012: „The European social model is dead”
Nothing can better express the aims, exasperation and determination of the
• European Federation of Building and Woodworkers,
• European Transport Workers’ Federation and
• European Federation of Food, Agriculture and Tourism
at this demonstration than their ‘Joint Statement for 23 January 2013’: 

European Demonstration against Social Dumping and to Reject the Draft Report on the Enforcement Directive on Posting of Workers

Every day thousands of workers IN THE EUROPEAN LABOUR MARKET are exploited within the institutional framework of the free movement of workers and services. Undoubtedly, the current European legislation, recommendations and instruments are completely inefficient to prevent, control and sanction fraudulent practices of economic exploitation which lead to social dumping. To put it bluntly: the situation for many cross-border workers is almost catastrophic. At the same time, the Internal Market services of the European Commission are continuously scrutinising national legislation and instruments which are set up to prevent, control and sanction these practices. In many cases the European Commission has started unfair infringement procedures against Member States.

The current European social legislation is a cheese, full of lacunae, legal loopholes, unclear and vague formulations. These political ambiguities are being abused by various Members states, labour market consultants and fraudulent employers in order to circumvent decent working conditions and social protection of workers.

Despite the massive abuses on the work floor, many European politicians are categorically refusing to ack-
knowledge the daily reality of exploitation and social dumping, such as false self-employment, the use of letter-box companies, falsified documents, inadequate cross-border cooperation between national authorities, insufficient on-site control and so forth. For those POLITICIANS we have a clear message: PUT ON YOUR BOOTS AND SEE FOR YOURSELVES WHAT IS GOING ON IN OUR WORKPLACES.

The phenomenon of cross-border exploitation and social dumping has been initiated and promoted by our European legislators via ideological Internal Market dogmas, such as “promoting entrepreneurship” in a way that promotes false self-employment, “reducing administrative burdens”, which forbids Member states to set-up proper preventative checks and sanctions, “increasing competition”, which is now synonymous for putting workers against each other. Hence, the logic is that the EUROPEAN LEGISLATORS SHOULD ACT IMMEDIATELY VIA CONCRETE AND TANGIBLE MEASURES.

Gradually, the European workers are losing their faith in the European integration model; sadly we are today witnessing a rise in racism, discrimination and xenophobia. These tensions are generated by an ultraliberal European policy, whereby workers have to compete against each other on the basis of the cheapest price. In a competitive European labour market, workers should not be afraid of competition, but should be able to compete on the basis of qualitative criteria such as experience and know-how, professional qualifications, efficiency, and so on, rather than on the basis of the lowest cost of the worker. ALL WORKERS DESERVE TO BE TREATED WITH RESPECT AND DIGNITY, AND NOT AS “CHEAP LABOUR”.

The day started with a press conference from 9 to 11pm in the office of the EFBWW in the city centre near the Grand Place. After the introduction by Werner Buehen/EFBWW, the General Secretaries of the three European Federations - Sam Hág-
glund/EFBWW, Eduardo Chagas/EFT and Harald Wiedenhofer/EFFAT - presented an overall picture of the deteriorating employment conditions in their respective sectors under the impact of transnational labour trafficking, whilst the European Commission keeps further dismantling the already weak regulations and virtually ineffective enforcement. Indeed, the crisis was seen as an excuse for dismantling the social model. It was argued that a system of joint and chain liability is needed. Currently, through loopholes, workers are being deprived of their rights when working across borders, whilst countries lose taxes.

The most disconcerting part of the conference was the presentation of case studies of workers’ exploitation and labour trafficking by subcontractors, hirers and agencies. This was a confrontation with the harsh reality of the abuse of labour rights in the construction industry. An example was given of Italian building workers, recruited to work in Italy via a Polish agent, so reducing labour costs and depriving the workers of their rights as Italian workers. In Italy too Romanian workers were not paid and left without food or money; whilst in the UK, a German-based contractor failed to pay Polish migrant workers. At the Finnish nuclear plant of Olkiluoto 80% of workers were from outside Finland, recruited via a Cypriot agency. Most telling was the French nuclear plant of Flamanville, costing 8 billion Euros, with EDF as the main contractor and Bouyges also involved. Here Polish workers were earning very much less than collectively agreed rates, working many hours more, sometimes even two shifts per day, with no paid holidays. Though the workers were afraid of losing their jobs, the trade union, the CGT, did succeed in improving their situation. In this and other examples, many of which can be found on the new website www.stopsocialdumping.eu, no evidence was found of social contributions deducted from wage packages actually being paid to social security organisations.
Following this press conference the participants were offered buses to the rally at the beginning of the demonstration to join more than 4,000 workers in the construction, transport, food, agriculture and tourist sectors. The one and a half hour march between 12am and 1.30pm from Boulevard Albert in the north, mostly along the ring road around the inner city, then turned to the Schumann Roundabout next to the headquarters of the European Commission.

At the same time, Dietmar Schäfers, chair of the EFBWW Building Committee, led a delegation of the three trade union federations to meet delegations of the European Parliament and the EU Commission including Lázló Andor, Commissioner for ‘Employment, Social Affairs and Inclusion’. After a passionate introductory presentation of the “almost catastrophic” situation of social dumping and exploitation by Dietmar Schäfers and Rik Desmet from the union delegation, a number of Members of Parliament responded rather lukewarmly, mostly on a compromising note. MEP Danuta Jazłowiecka, however, showed determination to stick to the dominant line of the Commission in favour of the free movement of services at the expense of administrative hurdles. Lázló Andor arrived towards the end of the meeting only to confirm the Commission’s commitment to find a compromise to prevent abuse without curtailing economic freedom and entrepreneurship.

Due to the delay of the meeting of the delegations, the demonstration dispersed from 1.30pm before being given a report on the results of the discussion with members of the European Commission and Parliament. Given the present EU response to the global financial and Euro crises, the perspectives for social policy remain dire unless the labour movement gains the strength to reverse the political drift to restore competitiveness at the expense of a decent remuneration of labour and social conditions. We are likely to see more demonstrations in the future perhaps with an alternative concept of a social economy.
Events

CLR – Annual General Meeting 2013 & book launch CLR-Studies 7 ‘The long and winding road to an asbestos free workplace’
Brussels, 17 and 18 June 2013

17 June, 14.30am – 17.30 am
CLR – Annual general meeting (agenda will follow)
In the new EFBWW premises, Rue de l’hôpital 31, 12th floor, 1000 Brussels
Followed by a social evening.

18 June, morning session starts at 9.30 am
Expert meeting and book launch ‘The long and winding road to an asbestos free workplace’

Registration for the expert meeting is obligatory:
info@efbh.be

University of Westminster, 35 Marylebone Road, London NW1 5LS, 22 February 2013, 10.30pm – 12.30pm Room C281, followed by buffet lunch

Vasco Pedrina, National Secretary of the Swiss trade union Unia, ETUC executive member and Vice-President of the Building and Woodworkers International, will lead the regular monthly BUIRA seminar with Professor Richard Hyman, London School of Economics, as discussant. Vasco Pedrina will present his strategy for the European trade union movement, from national isolationism to a European counter-offensive. Richard Hyman, founding editor of the European Journal of Industrial Relations, will then lead the discussion. This is a ‘must’ event for anyone interested in industrial relations and their transformation in this time of crisis.
The authors of this ‘International Political Analysis’ show through various examples and arguments that the existence of the European Social Model in the European Union, though never unambiguously politically defined, is heavily threatened:

- The policy of tight saving has pushed Europe in 2012 into recession;
- A massive assault on wages, social provisions, and public assets has been waged, above all in crisis states;
- The autonomy of collective bargaining, the importance of umbrella collective agreements, and universally binding terms are being undermined;
- Real wages in the four crisis states (Greece, Italy, Portugal, and Spain) have been cut above average during 2010 to 2011;
- The relative level of pensions will decline drastically;
- The length of the working life will rise, often substantially;
- Public assets are about to be for public sale;
- With the liberalisation of the European Social Model, the political disaster of European Social Democracy and Trade Unionism is perfect.

Though the European Union has a mandate to ‘respect unre-servedly’ the role of the social partners as well as differences in national systems of binding wages, it is now contradicting itself through far reaching recommendations for the reform of collective bargaining systems. This current analysis documents all the assaults on collective bargaining autonomy in Greece, Italy, Portugal, and Spain. Thus, the private sector has been chained up. Furthermore, it describes cuts and freezes in
wages and income in the public sector, sometimes adding up to 30 per cent for average wage earners. Also the massive infringements in pension systems are discussed, suggesting that in the coming years we are facing a considerable rise in old age poverty.

Summing up the authors propose four targets for alternative solutions:
1. A European strategy for qualitative growth and reduction in unemployment;
2. Common European debt management;
3. Europe-wide coordination of wage, social, and tax policies;

This international policy analysis puts together with due brevity, on 30 pages, the critical arguments concerning the Euro crisis in excellent form and content, providing a useful basis for critical trade unionists and a background for speeches. The publication is available as a PDF file from the Friedrich Ebert Foundation.


The awareness of the European Union in industrial relations varies deeply by economic sector. In sectors like steel, the importance of the EU is a matter of course. But in other sectors, as in much of public services, unionists and employers keep ignoring it or considering it only occasionally and instrumentally. And at national level, Europe is still rarely ‘mainstreamed’ in union policies, rather than delegated to a specific international office. On the other side, European institutions have not taken industrial relations seriously: it was only in 2012, facing the disruption of the crisis and messy labour market reform attempts, that the European Commission
organised its first ever training course in industrial relations for its staff.

The same has occurred in academia, with little dialogue between political studies of the EU and industrial relations. This reviewer has taught for over a decade a Master in European Industrial Relations, and found it nearly impossible to convince a University to classify an MA as both in business and in European politics: university marketing officers prefer a single target. This is why the mission of this new book edited by Smismans is very welcome: bridging ‘the clear gap between the field of Industrial Relations and the field of European Studies’ (p1). The link is much broader than the few, narrow technicalities of EU regulations in the field of employment. The editor argues in favour of a ‘broad’ definition of Europeanisation (after Radaelli’s), including top-down, bottom-up and horizontal processes, and distinguishes it from the narrower idea of ‘convergence’. Europeanisation might be dismissed in the sense of integration into a super-state, but it is highly relevant in the sense of interdependence, connections and networks. Most importantly, the book brings together prominent political scientists and industrial relations scholars, around a common set of questions.

The volume is divided in three parts. The first is on European institutions of social dialogue, at cross-sectoral, sectoral and company level, but is rather technical and pays no particular attention to the case of construction. The second part is on the EU as a driver of institutional change within national industrial relations. The most important case in this regard is the new member states, on which the chapter by Pérez-Solórzano Borragán and Smismans gives a very moderately positive assessment (this reviewer would have been much more critical!), but a very intriguing one is France, discussed by Kerschen: a country with its own strong national model, but which in the 2000s has introduced a number of changes in social dialogue corresponding to a form of European isomorphism.
The third and final part, on the EU as a policy context for industrial relations, is the most interesting for the readers of CLR. Turnbull describes the case of successful union resistance against port liberalisation, through both mobilisation (in 2003) and skilful engagement in Commission-led social dialogue (in 2007), which shows that unions do have a chance against the market in the European arena. Parsons’ chapter on posted workers focuses specifically on the disputes in Sweden (Laval) and UK (Lindsey and South Hook). Parsons argues that unions have reacted in similar ways in the two countries, but governments have behaved differently: the social-democratic Persson government (in power until 2006) was more pro-unions than the Brown’s one. But in both cases, the unions achieved some success only by having their national governments make pressure on the employers, for the sake of social peace and institutional stability. This strategy may not be viable for long, as in both countries right-wing governments are now in power, and their national industrial relations remain vulnerable to intervention from the European Court of Justice: therefore, a revision of the Posted Workers Directive would be needed. The chapter by Goetschy aims to define ‘Social Europe’ in the field of employment policies, but by collapsing the ideas of ‘Social Europe’ and ‘European Social Model’, covering a huge number of disparate issues, and completely neglecting the enlargement, she regrettably provides more confusion than clarification. The chapter by Keune is more clearly focussed on flexicurity, describing how it is a contested concept both at EU and national levels, including increasingly in the flexicurity birthplaces, i.e. Netherlands and Denmark: a good argument for the adoption of an industrial relations approach in the study of EU policies. The final chapter by Erne is a very critical assessment of the most recent EU economic regulations (the ‘Six-Pack’), ending with the prediction of increasing industrial conflict over them (see also his contribution in this issue of CLR).

Overall, this book is a promising addition with the potential of stimulating new cross-disciplinary debates, which on some
issues, such as multi-level governance, have already started. These are all topics of increasing importance in the light of the Euro-crisis. Some chapters engage with the crisis directly, but academic books are condemned to arrive late on current events. It is ironic that Goetschy talks of the ‘Greek crisis of April 2010’ (p.202), as if it had ended then. And both Turnbull’s optimism and Erne’s pessimism appear less convincing at the beginning of 2013 than they might have been in 2011: ports liberalisation is now being pushed through in Portugal and Greece by the Troika (which includes the European Commission), while on the other side with the arrival of Hollande and the new interventions by the European Central Bank, EU fiscal and monetary policies are no longer as scary as they previously seemed. Whichever way, the EU is now on the industrial relations agenda – and vice versa.


The Foundation for European Progressive Studies (FEPS) presents the results of a two-year research programme in this book that is published in cooperation with the S&D Group in the European Parliament and the European Forum for Democracy and Solidarity, all institutions belonging to the Party of European Socialists ‘family’. The main reference for the research was the agenda drawn up twenty years ago at the Copenhagen summit (in 1993). During this summit the criteria were formulated for EU Membership of those CEE-countries that had indicated a wish to join the (then) recently founded European Union. The book starts with an introductory note of representatives from the three organisations involved. In the first part, ‘State of Play and Lessons Learned’, five chapters bring together the experiences and related discussions on the impact of previous enlargement rounds. Not all the con-

Reviews

Jan Cremers, AIAS
tributions are worth reading, and an analysis of the impact the enlargement has had on labour relations is clearly missing. The most outspoken contribution comes from András Inotai who lists different forms of ‘fatigue’ that have been generated due to negative side effects of enlargement or a lack of progress. He mentions the reform and accession fatigue in the new member states and the enlargement fatigue in the old member states. However, even more important is an emerging gap in some new member countries between a EU-conformist attitude that existed before membership, and increasingly nonconformist politics after accession. He signals that once member states are in they allow themselves to take positions which would definitely have complicated their accession had they occurred previously. Such behaviour can be found in Slovakia, Poland and recently - on a larger scale - in Hungary. Euphemistically he adds that the EU’s admissive attitude started earlier (Berlusconi’s Italy) and provided a ‘good example’ to others (page 74).

The second and fourth parts (The Politics of Enlargement & The Future of Enlargement) consist of a wide range of contributions that focus mainly on the agenda of the European political institutions and the EU policy with regard to future enlargement (West Balkan, Turkey). In part three ‘The Economics of Enlargement’ Slovenian economist Jože Menzinger is very straightforward. The enthusiasm for accession was founded both on political and economic considerations and CEE-citizens were looking for political democracy and a social market model with high standards of living. Taking into account flows of capital and ensuing changes in the ownership of productive assets, Menzinger concludes that ‘the enlargement was a kind of acquisition rather than accession’ (page 156). He illustrates this with economic data; for instance, within a decade, foreign ownership of productive assets became major and in some sectors predominant or even exclusive. New member states have been much more attracted by the American market model and neo-liberalism. They swore to what he calls the Washington consensus, which promoted abrupt liberalisation of foreign trade at the beginning of a
transition, creating large trade account deficits that have subsequently been replaced by income account deficits emerging from acquisitions of productive assets by multinationals. A predictable result of the rapid privatisation and liberalisation of imports in the early nineties was ‘the destruction of the manufacturing sector or the sale of the most productive assets to foreign multinationals. Foreign banks acquired the banking sector and other financial institutions’ (page 158). He criticises the EU for showing little interest in promoting the social market model in those new member states entering a transition period. The vacuum created by the collapse of socialism ‘was filled by American advisers promoting a pure “shareholder value” type of capitalism’ (page 160). His analysis can be read as a warning for the whole of Europe.


Socialist Register 2012: The Crisis and the Left succeeds Socialist Register 2011: The Crisis This Time (Pontypool: Merlin Press, 2011). As such, it provides further analyses of the economic crisis of 2007/8 to the present, critically assessing and in turn providing structural explanations for that crisis and forwarding tentative responses from a broad spectrum of socialist and working class positions. The new volume includes twelve substantial essays and a record of a symposium held in 2011. The material covers a very wide range, from sweeping surveys of the global economy (David Harvey, pp. 1–35), to targeted analyses of regional industrial sectors (Nicole Aschoff on US automobile assemblers, for example). It is global in scope, with essays either specifically concerned with, or at least referring to, conditions in Europe, Asia, Africa and Australasia though largely concentrating (as is probably inevitable) on North America.

As the 2011 volume has already received substantial treatment by Jörn Janssen in a previous issue of CLR–News (CLR

Nick Beech
beech-nick@me.com
I will only indicate here some of the issues raised that I think are most interesting to CLR readers and anyone engaged in serious analysis of broader social and material production today. First, a number of contributors, and particularly Ursula Huws and Larry Lohmann, develop highly suggestive analyses of the relationship between ‘finance’ (markets, and market institutions, agents’ processes, and practices) and the ‘real economy’. In particular the beginnings of a detailed analysis of how productive activities, particularly large infrastructural (communications, energy and waste) and ‘social’ projects (education, health, military and penal institutional buildings), previously considered domains of the ‘state’ have become increasingly open to international commercial operations. These processes of ‘financialisation’ are connected, The Crisis and the Left suggests, to deep transformations in the social production processes which have resulted in both the crisis and mainstream responses to the crisis. As expressed in technical and managerial changes, many of these transformations—though discussed in industrial sectors such as the car industry—chime with the transformations traced in the pages of CLR-News since 2001.

Secondly, David McNally and Frances Fox Piven offer powerful arguments for understanding the crisis as a process of intensified transfer of wealth from workers to capital and accounts of how the fall-out of this transfer of wealth, in class-struggle terms, is further ‘cut’ with differences of race and gender. Much of this material is focused on the North American situation and it is notable that, even where Europe is concerned (as with Jan Toporowski’s over-view of the troubled economic paths of the post-socialist Eastern European states), analysis of labour in migration remains very flat throughout, typically resorting to some kind of ‘reserve army of labour’ thesis that does little to identify specific problems, prospects, or political opportunities for organised workers. This is a shame for it marks a persistent ‘falling at the last’ of an otherwise excellent collection of essays that engage seriously with the problems facing organised workers today.
Editor
Jan Cremers
Phone: +31/20/5257216
Or +31/6/53 43 86 79
clr@mjcpro.nl

Sub-editor/review editor
Jörn Janssen
Phone: +44/207/7007821
joern.janssen@btinternet.com

Layout and Production
Frank Leus
Phone: +32/2/2271041
fleus@efbh.be

Contact and Orders
CLR-News
c/o Frank Leus
EFBWW
Rue de l’hôpital 31, (boîte1)
B - 1000 Brussels
Phone: +32/2/2271040
Fax: +32/2/2198228