

**IG Metall Executive Board**



## **Change of course for European solidarity**

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European unity is a great success story. After the traumatic events of two world wars in the 20<sup>th</sup> century, a united Europe was a vision that hardly anyone believed could ever become reality.

The European Union is a peace community soon to be made up of 28 states. The European Union is also a community of values based on the collective notion that the market economy will always need guiding social parameters to reach the goal of a European social model. It is also a community under the rule of law. Finally, the European Union is an economic community with a common market of over 500 million people that has grown in prosperity since being created over 50 years ago and then gradually enlarged.

The crisis in the European Union today is also a national debt crisis. This is the consequence of economic crises and bank rescues. Created exclusively as a currency union without the simultaneous establishment of a political union and a strong European Parliament, the Eurozone is proving to be the greatest obstacle to surmounting the crisis. The EU is in the midst of a serious identity crisis: the “European idea” is becoming more and more discredited. Euroscepticism and nationalism are on the increase. People’s critical attitudes towards the EU are encouraged by the neoliberal policy of the European Commission and many member states, and they threaten to wreck the “European success story” and our common currency.

In addition to this, the institutional structure of the EU is increasingly unable to cope with the complexity and increasingly heterogeneous character of the soon-to-be 28 member states. The necessity for governments and EU institutions to act quickly to tackle the crisis clearly reveals the institutional weaknesses of the EU. Rapid voting and decision-making mechanisms are becoming increasingly hampered by the blockade mentality of individual member states. The European Union is faced with a twofold challenge: the first is short-term crisis management. The second is the requirement for radical medium-term institutional reform towards a political and social European Union that is based on democratic rules and with which the people of Europe can identify.

### **IG Metall advocates a politically united, economically strong and socially just Europe!**

- Europe needs sustained growth through an active, coordinated and democratically legitimate economic and industrial policy designed to secure its industrial base and value creation.
- The euro rescue requires joint liability and joint control over national budgets.
- Europe needs comprehensive regulation of the financial markets.
- The European Union needs the backing of its people. It must become a social union for this purpose.
- The European Union needs political union.

## Sustained growth through an active, coordinated and democratically legitimate economic and industrial policy

Efficient industries are a prerequisite of sustained prosperity in Europe. Successful long-term crisis management requires the EU to have an active, coordinated and democratically legitimate economic and industrial policy. The process of socio-ecological conversion unlocks new potential for growth and ensures the long-term viability of industry in Europe. A forward-looking European project such as this also offers scope for the distribution of wealth in a European society striving for the convergence of working and living conditions. Only the prospect of an economically strong, environmentally and socially sustainable and democratic Europe can help to overcome the deep identity crisis among citizens in the European process of integration.

The unilateral austerity policy in Europe is not capable of tackling the profound problems and their negative impact on industry and its workforce. On the contrary, the **unilateral austerity policy is exacerbating the crisis** in the most seriously affected countries and has inflicted intolerable stress on workers. Young people and younger workers are badly affected by this. In many countries, a generation of well-skilled young people has no hope of good, secure jobs. Only the combination of debt reduction and targeted **growth programmes** will lay the foundations to successfully overcome the crisis without unacceptable social costs.

European industry must be open to socio-ecological change and development if it is to be fit for the future. To cope with megatrends in tomorrow's society European industry must become more resource-efficient, embrace demographic change and focus on the transition to renewable energies as well as mobility trends. The efficient use of resources and the ecological sustainability of materials and energy harbour the potential for greater productivity leading to new and dynamic growth. Rather than funding speculative financial investments, activity in the private sector must be steered towards investment in environmentally compatible conversion and development. This also requires targeted investment in education, training, research and development and infrastructure, with the government needing to make an active contribution here as well.

The five headline targets of the Europe 2020 strategy also provide a basis for this, which it is important to develop. In the short term it is a matter of ensuring that the EU budget meets its fundamental targets and ending misallocations, particularly in the agricultural sector.

At stake is nothing less than the long-term security of the industrial base, value creation and innovative prowess in Europe. A successful European industrial policy depends on our own production in key industries.

The euro was introduced on the expectation that economic growth, business productivity and inflation rates in the euro countries would align "all by themselves". This hope was dashed in a dramatic way. Independent national monetary, interest and exchange rate policies are no longer possible in a common currency zone. Wage and taxation policy and government expenditure are the only remaining ways in which to "tweak" independent economic policy.

Only now is the true extent of a key factor behind the increase in economic imbalances in Europe becoming apparent: a common European currency zone can only work if the euro

countries synchronise their economic and social policies. IG Metall calls for a **democratically controlled economic policy** for Europe and an economic government democratically approved by the European Parliament. This should set social and environmental targets and be underpinned by a common environmental, social and infrastructure policy.

This economic government coordinates the economic and social policies of member states and thus strengthens the executive's capacity to act, enabling significant progress to be made in the process of integration within the European Union on the road towards political union. The implementation of a European coordination policy is made possible by the processes of co-determination in industrial relations. Co-determination is the bedrock of business operations in Europe.

The implementation of a democratically legitimate economic policy requires a high degree of co-determination in companies. The foundations for strong and active worker participation must be further strengthened both in practice and in legal terms at European level. It is precisely in times of crisis – when restructuring processes have threatening implications for the workforce – that the balance of power between employees and employers must be fair.

IG Metall calls for Europe to have extended legislative competence in fiscal policy, its own means of taxation and its own jurisdiction in tax matters. This is the only way to avoid tax dumping in Europe in the future. Competition for the lowest taxes and member countries playing off against each other must be prevented. The EU needs minimum standards (bases for tax and tax rates) for the taxation of capital and companies.

The **trade unions** must also contribute to the management of a common currency union. This particularly applies to **wage coordination**. The coordination of wage policy between the euro nations is necessary to stabilise the currency zone. European trade unions have already developed their first mechanisms for wage coordination (wage coordination formula of the European Metalworkers' Federation). These are to be implemented and developed in order to prevent a widening of the gap in living standards in Europe. In the same way, wage coordination by the European trade unions is to be understood as an aspect of a Europe-wide distribution and economic policy geared towards social welfare and stability. It is imperative that the trade unions do the coordinating. Attacks by the European Commission, the European Central Bank and the International Monetary Fund ("troika") on the wage-bargaining autonomy of labour market players are resolutely dismissed by IG Metall.

Trade union wage coordination is only effective if the trade unions have the capacity to act and if, as a result of businesses being bound by collective agreements, wage settlements also translate into improvements in real earnings and working conditions. Both of these are undermined by the widespread deregulation of labour markets which, with the German political agenda being the blueprint, has become the model for a European labour market and employment policy in many European countries. Not only does the massive increase in deregulated, often precarious employment inhibit the trade unions' capacity for action, it also leads in practice to an increase in areas without any collective bargaining. **A new order in the European labour market is called for.** This must not only protect and promote secure jobs covered by wage agreements, but also help to discourage those of a precarious nature.

## The euro rescue calls for joint liability and joint control of national budgets

An essential reason for the situation in many Eurozone countries is the one-sided structure of the Maastricht Treaty. Current account imbalances between the member states can no longer be corrected by devaluing national currencies. Too much has been expected of wage policy as a balancing mechanism.

IG Metall is strongly in favour of the continuation of the euro. In principle it advocates **joint liability** in order to guarantee solidly united, long-term financing for the deficit countries and minimise the risk of insolvency in individual countries. This will make it possible to reduce the financial burdens of the countries in deficit. It means that these countries have to pay less interest on their debts and can thus emerge from the crisis more quickly. On the other hand, it also means that less indebted countries like Germany have to pay more for their own debts. These additional costs for Germany and other countries in surplus are nevertheless outweighed by the benefits to the German economy and its export-oriented industry.

**Strict joint control** over **national budgets** and joint liability go hand in hand. This necessitates changes to national sovereignty laws vis-à-vis European institutions. IG Metall calls for democratic decision-making structures to be extended via the European Parliament and the inclusion of opportunities for the citizens of Europe to be directly involved. As things stand at present, the decision on whether agreed budgetary targets are met on the revenue or expenditure side is left to national parliaments.

A redemption pact could take the temporary joint financing of national debt over the 60% of Gross Domestic Product threshold. In this way it would make a considerable contribution to medium and long-term crisis management.

IG Metall believes it is justifiable for the European Central Bank (ECB) to take the temporary measure of propping up public budgets in the most heavily indebted countries in the currency union by purchasing government bonds on the primary market.

IG Metall also advocates intervention by the European Stability Mechanism (ESM). The ESM rescue fund can be further enlarged for the purpose of stabilising the nations in crisis by extending loans. Taking these measures will guarantee that heavily indebted countries can borrow funds and be shielded from speculation about national bankruptcy.

In requesting aid from the ESM (and ESFS) and the ECB, the euro states are subject to a virtual economic government, albeit one without democratic legitimacy and control. The fiscal pact means that the governments concerned are committed to rigorous economy measures and cuts, particularly in welfare spending but also in terms of pay. Making labour markets more flexible and selling off common assets are also part of this savings policy. IG Metall rejects the denunciations of workers in Europe.

## Europe needs comprehensive financial market regulation

Financial policy frameworks for industry in Europe are in desperate need of improvement. Banks must serve the real economy. The social responsibility of banks consists in safeguarding the financing of companies and not in speculation with high-risk, non-

transparent financial products. As one of the causes of the crisis, the banks must contribute to the cost of dealing with it.

IG Metall calls for far-reaching regulation of the European financial markets, including:

- The separation of banks' deposit and credit operations from so-called investment banking. Whereas the government helps to guarantee the protection of deposits, the owner must assume liability in the case of investment banking.
- Europe-wide ban on short selling.
- Regulation of highly speculative multi-tier securitised loans and the introduction of financial products, approved by a control board.
- Strict regulation of derivatives.
- Restriction of high-frequency trading

Financial market regulation also includes a **financial transaction tax (FTT)**, the aim of which is to make highly speculative financial transactions unattractive. It is economically wise and politically desirable to levy the financial transaction tax on a global level or in the EU at least. This cannot be done in the foreseeable future, however. The second-best solution, therefore, is to introduce it within the Eurozone – or even in key member states in the Eurozone.

Europe needs effective European **banking supervision**. This is particularly important for international system-relevant banks. The equity ratios of banks must be increased to ensure that they do not have to be bailed out by taxpayers again in the event of a crisis. In EU member states there must be an obligation to introduce **deposit protection systems** in the banks. A Europe-wide deposit protection system is necessary for system-relevant banks operating throughout Europe. The EU needs a **European rating agency**, which must be set up as a public (not run by the private sector) and independent institution.

IG Metall is in favour of the **separate banking system**. There should be a strict separation between investment banking and traditional banking in order to limit the “systemic” risks of bad investments by universal banks.

As well as the financial markets, stronger regulation is also essential in the commodity markets. Consideration also needs to be given to regulatory measures here – the London Commodity Exchange for example – in order to prevent speculation and unclear, volatile prices and to give all market players equal access to commodities.

All in all, these regulatory measures will represent the first steps towards solidarity and political union and lay a vital foundation for the sustained stabilisation of the common currency zone.

**The European Union needs the backing of its people. To this end it must become a social union.**

IG Metall calls on Europe to turn to its workers once again. The social and economic worries of the population must be taken seriously. Many people in Europe have the impression that politics in the EU mainly serve the interests of companies and their lobbyists. As a result, European Union politics are often perceived as a threat. The attractiveness of the “European project” is suffering due to the social difficulties we are currently being forced to experience.

Basic social rights, as enshrined in the Charter of Fundamental Rights in the Treaty of Lisbon, must ultimately take precedence over economic freedom.

Together with the European trade unions, IG Metall calls for a “social progress clause” for the European Union as an integral part of European primary law. This will safeguard national achievements such as trade union rights and collective wage agreement systems.

The formulation of a shared minimum level of social standards must be a priority for a social Europe. Until then, it is important to defend national achievements in social policy. IG Metall specifically opposes any tendency to make employment more precarious and can only advocate the concept of “flexicurity” if the security aspect is at the forefront. Social systems must be structured so as to ensure that people in the EU enjoy equality of opportunity, the ability to participate, social inclusion and security in difficult circumstances. In particular, discrimination against women and migrants at work and in society must be eliminated. It is also imperative to oppose insecure conditions of employment for young workers.

IG Metall therefore proposes a **social pact** for Europe. Such a social pact can achieve the necessary equilibrium and attunement between the social policies implemented in the member states and the frameworks adopted by Brussels.

The social pact has the following essential elements:

Firstly, **order** must be established in the **European labour markets**. This will call for measures that prevent the further expansion of the low-pay sector and wage disparity in Europe. The same pay and the same rights for the same work in the same place must be a firmly established principle.

Secondly, **social dumping** must be **tackled**. As well as stifling precarious employment, social dumping can be tackled with a minimum wage in those sectors where it is necessary to do so.

Thirdly, IG Metall calls for **greater participation rights for employee representatives** and their trade unions in the member states and at European level. Participation, democracy and co-determination in companies are the keystones of a social Europe. These keystones proved themselves in the crisis after 2008 and helped to surmount the crisis in Germany. Strong European industries and services need strong trade unions with a capacity to act, as well as competent employee representatives.

## The EU needs political union

Events from the outbreak of the financial market crisis to the national debt refinancing crisis have revealed serious shortcomings in the institutional structure of the European Economic and Monetary Union (EMU). It has become apparent that the union cannot continue without deeper **political integration**.

Given the experiences of the management of the euro crisis, a “twofold strategy” can be used to further the process of European integration. There are short-term approaches on the one hand, which can be implemented between states within the framework of the existing EU treaty. On the other hand, a new basis is needed for the EU treaty in the medium term in order to correct the “birth defects” of the European Economic and Monetary Union

and lay the foundations for a political union. The starting point for deeper European integration is a core Europe comprising the members of the Economic and Monetary Union.

The headline target of institutional reforms should be an **independent democratically legitimate economic policy** at European level. This will necessitate a shift of national jurisdiction in fiscal and economic policy towards the EU and an effective budget. There cannot be a “strong Europe” without corresponding EU jurisdiction. This necessitates the transfer of national sovereignty to European level.

The first central column of the European economic government is a **fiscal union** with increased legislative powers in taxation policy and/or a union with its own sovereignty in taxation matters. With or without its own tax sovereignty, the EU needs a significantly increased Community budget to be able to support weaker individual member states through years of reforms.

IG Metall calls for the **European Parliament to be significantly strengthened** and given wide-ranging powers of control and initiative. In future, the parliament should be elected in accordance with a uniform electoral procedure with transnational electoral lists. This in turn necessitates an expansion of the legal status and financial resources of European parties.

Furthermore, the European Parliament should receive the right to debate and initiate legislation. Another essential component of reform is the election of the head of the Commission. Only in this way can the EU Commission become a “genuine” European government.

The direct representation of the interests of EU member states must also be improved. As things stand at present, however, the goal of European integration cannot be a German-style European federation of states. The individual identities of EU member states have evolved in such a way as to rule this out. IG Metall backs the proposal to **establish a European Convention** to prepare the foundations for a treaty for a political and social European Union with a broad social debate and extensive democratic participation.