

Foreword

After more than eight years of economic crisis and stagnation, Europe seems to be waking up to the idea that we might be moving into an age of secular stagnation. While the jury is still out on that question, we have the opportunity to assess to what extent the policy stance of the past five years has contributed to laying the foundations for such a period of secular stagnation and, furthermore, to consider what policy initiatives might be required to lay the foundations for sustainable growth accompanied by quality job creation. The Europe 2020 strategy, with its targets of – among other things – a 70 percent employment rate and 20 million less people in poverty, appears to be delivering little of what it was intended to achieve. Europe overall is still experiencing a devastatingly high level of unemployment; growth remains at best fragile; and rather than a narrowing of the gap between now and the Europe 2020 targets, we are seeing widening divergence – a sure sign that the current approach is failing to achieve its goals. As such, assessment of the extent to which Europe 2020 and the European Governance System and its accompanying policy proposals have helped – or failed to help – Europe through the crisis will be instrumental in determining how European-level policies and strategies are to be redirected in the future.

In the wake of the European Elections and new configuration of the European Commission in 2014, some slight change is apparent in the policy discourse about what is required to get Europe back on the right track. The ideas that Europe needs investment and that growth is hampered by a chronic lack of internal demand have come to the fore and some new initiatives have been placed on the table. Little headway seems to have been made, meanwhile, in assessing the destructive effects of the persistently tight fiscal stance and deregulatory structural reforms. Against this background, the net effect on sustainable growth and quality job creation of the slight change in policy discourse can hardly be expected to be substantial.

With this year's chosen focus – 'Have we learnt from the lessons?' – the new edition of *Benchmarking Working Europe* sets out to assess and analyse the state of working Europe with the aid of a multi-level and multi-dimensional set of indicators. This 2015 edition is thus intended as one contribution to an assessment of what the current policy stance has achieved, or above all – as will emerge from a reading of the following chapters – of what it has *not* achieved.

All four chapters of this report conclude on a negative note, and each puts forward suggestions for appropriate policy changes. The macro-economic indicators point to a stagnation in domestic demand, as well as in both public and private investment; to an increase in the public-debt-to-GDP ratio; to an increasingly real danger of deflation; to a failure to meet the Europe 2020 target on R&D; and to Europe's loss of leadership and momentum in greening its economy. The contractual fiscal policy has, if anything, exacerbated the financial and economic crisis in terms of both duration and spread. As is bluntly stated in the conclusions of the first chapter, 'Austerity and growth do not mix'. The ECB's increased efforts on investment and quantitative easing will prove ineffective if the excessively tight fiscal stance is retained.

Insofar as this dire macro-economic context shapes and sets the framework conditions for labour markets, it is hardly surprising that several worrying trends are apparent here too. Unemployment remains high, having soared to alarming levels in some countries while showing no real signs of decreasing in a majority of member states. Though the employment rate is timidly rising in a majority of member states, the volume of work is stagnating if not decreasing, resulting in an ongoing process of work redistribution. Involuntary non-standard work is on the rise with negative consequences for labour market attachment, income and career development, and, in the long run, for productivity too. In-work poverty has been rising steadily since 2010, with the highest increase among those employed on temporary and part-time contracts. High-skilled workers also, however, have seen a relative rise – of 14% – in their levels of in-work poverty, suggesting that the returns on investment in education as a strategy for avoiding poverty might be diminishing due to adverse developments on the labour market. The activity rate for youth decreased in several countries between 2008 and 2014; while political attention is now directed at this problem and several policy measures, such as the Youth Guarantee, have been implemented, the situation remains dire. Of particular concern is the positive correlation between long-term youth unemployment and growth in numbers of NEETS;

this trend calls for increased efforts to lend impetus to quality job creation and reach out to those young people who have dropped out of both the labour market and the educational system. Migrants are another category particularly hard hit by the adverse labour market conditions, and their situation is not improving.

In addition to developments on the labour markets, the strategy of internal devaluation and its spill-over effects on countries that did not themselves pursue this strategy have exacerbated the subdued internal demand and led to an undermining of workers' rights. Overall, real wages lagged behind productivity gains from 2008 till 2014, a trend that is compounded by a still greater diversity in minimum wages across Europe, most of which are set below the national poverty thresholds. There are a host of explanations for this lack of upward wage development, but one clear reason is the influence of the internal devaluation strategy pursued in several member states and the intensification of the trend towards a decentralisation of collective bargaining. This intensification has been particularly strong in southern Europe where it has led to a wave of litigation conducted in international as well as national courts. While the ILO has ruled that several of the national reforms are in breach of ILO conventions, cases brought before national courts have likewise found the interventions in collective bargaining regimes to be unlawful. As the conclusions to Chapter 3 suggest, what is needed is 'a more expansive wage policy' alongside initiatives that are compliant with international and European conventions.

Compounding these dire economic circumstances on the labour market itself, structural reforms aimed at increasing flexibility and wage restraint are exacerbating the vulnerability of many categories of workers in Europe and further widening the many forms of inequality observed over the past decade. One mechanism that has been instrumental in managing various forms of divergence is the system of European-level worker participation. Recently, however, this mechanism has also come under pressure at both the European and the national level, in spite of an overall increase in cross-border business activity and the ensuing cross-border implications for workforces. A well-functioning and well-articulated system of worker participation contributes to European integration by respecting information and consultation as a basic right for workers. Recent developments would seem to indicate, however, that in this area some of the most important lessons have *not* been learned.

The findings reported here point to policy failures and to the need to redefine alternatives in order to get Europe back on to a sustainable growth path that will lead to an upward harmonisation of standards and outcomes. The current trend towards ever greater economic as well as social divergence across the European Union cannot form a viable basis for the future of European integration. The conclusions of this report draw attention to numerous highly alarming trends and call for a genuine reassessment of the direction of EU policy not only to include a fully-fledged investment strategy for the future but also to halt the deregulatory process, to allow for automatic stabilisers to fully play their role, to consolidate social protection and commit to a Europe characterised by high social standards including in the field of health and safety. What is clear above all else is that the current focus on austerity and deregulation is failing to deliver what Europe citizens are entitled to expect. It is time that the requisite conclusions be drawn from these lessons.

Benchmarking Working Europe first appeared in 2001. By providing a genuine benchmarking exercise applied to the world of labour and social affairs and grounded in effective labour and social rights, this annual publication represents a contribution to the monitoring of the European Union. It aims at establishing what progress – or lack of it – has taken place in selected areas of importance to the trade unions and of significance for a social Europe.

We hope you will derive both interest and benefit from your reading of this year's edition of *Benchmarking Working Europe*.

Bernadette Ségol
ETUC General Secretary

Maria Jepsen
ETUI Director of Research Department

Philippe Pochet
ETUI General Director