

Foreword

Five years into the great recession, the economic as well as the social outlook remains very bleak indeed. The current response to the recession, characterised by a strong focus on the tightening of public finances and flexibilisation of labour markets in order to adjust to idiosyncratic shocks, has contributed only to a worsening of the economic and social situation affecting Europe as a whole and its southern countries in particular. Furthermore, this narrow agenda of deregulation and pro-cyclical economic policies seems to have launched the European Union on to a path of diverging economic and social trends, imperilling the fundamental prerequisites and original purposes of European integration.

For the fifth consecutive year, unemployment has risen; economic growth is going into recession (yet again) and social distress has risen to alarming levels. As this economic, employment and social situation generates ever increasing concern with regard to both short- and long-term trends, an additional worry is starting to emerge, namely the diverging trend in real output growth, growth models and social developments. The crisis of 2008 represented a break in the long-run convergence trends in the European Union, with a loss of convergence dynamics and, in some cases, an actual reversal of convergence, as parts of Europe began to drift away from each other through their differing experiences of the impact of the crisis itself and of the effects of the ensuing adjustment policies. This divergence with regard to key variables for promoting the fundamental objectives of European integration, such as economic progress, increased economic and social cohesion, and the creation and maintenance of an economic and monetary union, is of great concern as these variables are inherent in all the aspirations and thinking relating to European integration to date. Furthermore, due to the close interdependence with the rest of the EU member states, the divergence between eurozone insiders and outsiders is likely to become even more pronounced.

Ill-conceived policy responses have contributed to exacerbating weaknesses in the economies, thereby setting the European Union on a path of diverging economic regimes, ultimately jeopardising the very existence of the single currency as well as the continuing pursuit of European integration. The pushing through of adjustments (including austerity policies and competitiveness-enhancing measures based predominantly on wage cuts) is having differing implications for individual economic models, so that what we see currently is a 'patchwork Europe' with fault lines zigzagging around among a variable combination of country groups. The practices imposed in the context of the adjustments are affecting the so-called 'deficit countries' asymmetrically, as these are the countries suffering a loss of national sovereignty as a result of interference from European institutions, such that an accompanying feature of this development is a democratic deficit. Hence, the convergence of policies in the field of wages and collective bargaining towards an approach of internal devaluation aimed at an increased (downward) flexibility of wages as a means of closing the competitiveness gap between 'surplus' and 'deficit' countries has, rather than creating a more level playing field, served to reinforce the already existing divergent trends in the field of economic regimes, wages and collective bargaining. This situation gives rise to major concern with regard to the future of European integration and the fundamental objective of increasing the wellbeing of all citizens in the Union.

There are thus several reasons to justify a belief that this awareness of divergence both across and within countries should form the centrepiece of all endeavours to redress the current situation and to redirect the European Union along its original path of economic and social convergence. All policy proposals should, accordingly, reflect this awareness and this concern. A forward-looking approach would be one that supported and reinforced policies and institutions designed to ensure an alternative approach to getting Europe out of the crisis. One element could be the establishment of a European structural investment programme that would help deficit countries to upgrade their economic and industrial structure, as well as serving to consolidate and develop the social *acquis* which is currently under threat. Building a common future only on austerity and deregulation, and thereby laying the ground for a vicious down-

ward spiral of deteriorating social and labour rights, is certainly not the right way to move in the direction of the prosperous and more egalitarian Europe, which was the goal of the founding fathers of European integration.

Benchmarking Working Europe, which first appeared in 2001, represents a key contribution to the monitoring of the European Union, by providing a genuine benchmarking exercise applied to the world of labour and social affairs and grounded in effective labour and social rights. 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. This year's edition of *Benchmarking Working Europe*, in choosing to focus on the recent blatant trends of divergence across Europe, encompasses developments in a wide range of areas extending from standards of living, institutional settings, the role of trade unions, the development of growth models and the labour market situation. While raising serious concerns as to the direction as well as the outcome of the current austerity cure, and no less with regard to the attacks on social and labour rights in the European Union, this report points also to ways in which policies, institutions, along with the political will to correct market forces, can promote upwards harmonisation and a convergence of social and labour rights and outcomes more likely to ensure that a positive strategy for the future of the European Union is reintroduced and will form the basis for future policy formulations and actions. The current trend towards exacerbating economic as well as social differences across the European Union cannot form the basis for the future of European integration; it is time that European leaders woke up to the demands of the European population for a better future for all, and not only for the few.

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