



EUROPEAN PARLIAMENT

2009 - 2014

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*Committee on Employment and Social Affairs*

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**2013/2277(INI)**

10.12.2013

# **DRAFT OPINION**

of the Committee on Employment and Social Affairs

for the Committee on Economic and Monetary Affairs

on Enquiry report on the role and operations of the Troika (ECB, Commission and IMF) with regard to the euro area programme countries (2013/2277(INI))

Rapporteur: Alejandro Cercas



## SUGGESTIONS

The Committee on Employment and Social Affairs calls on the Committee on Economic and Monetary Affairs, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

- A. whereas the economic adjustment programme measures in Greece (May 2010 and March 2012), Ireland (December 2010), Portugal (May 2011) and Cyprus (June 2013) have had a direct and indirect impact on employment levels and dire consequences for the social situation; whereas, although all the programmes were formally signed by the Commission, they were designed, and their conditionality determined, jointly by the IMF, the Eurogroup, the European Central Bank (ECB) and the Commission;
- B. whereas Article 9 of the Treaty on the Functioning of the European Union (TFEU) states: ‘In implementing and defining its policies and activities, the Union shall take into account requirements linked to the promotion of a high level of employment, the guarantee of adequate social protection, the fight against social exclusion, and a high level of education, training and protection of human health’;
- C. whereas Article 151 TFEU provides that action taken by the EU and its Member States must be consistent with the fundamental social rights laid down in the 1961 European Social Charter and in the 1989 Community Charter of the Fundamental Social Rights of Workers in order to improve, inter alia, the social dialogue; whereas Article 152 TFEU states: ‘The Union recognises and promotes the role of the social partners at its level, taking into account the diversity of national systems. It shall facilitate dialogue between the social partners, respecting their autonomy’;
- D. whereas Article 6(1) of the Treaty on European Union (TEU) states: ‘The Union recognises the rights, freedoms and principles set out in the Charter of Fundamental Rights of the European Union of 7 December 2000 (...), which shall have the same legal value as the Treaties’, and whereas paragraphs 2 and 3 of that article provide for accession to the European Convention for the Protection of Human Rights and Fundamental Freedoms and stipulate that these rights shall constitute general principles of the Union’s law;
- E. whereas the Charter of Fundamental Rights of the European Union provides for, inter alia, the right of collective bargaining and action (Article 28), protection in the event of unjustified dismissal (Article 30), fair and just working conditions (Article 31), recognition of and respect for the entitlement to social security benefits and social services and, in order to ‘combat social exclusion and poverty’, the right to ‘a decent existence for all those who lack sufficient resources’ (Article 34), the right of access to preventive health care and the right to benefit from medical treatment (Article 35) and respect for access to services of general economic interest (Article 36);
- F. whereas the Europe 2020 strategy proposed by the Commission on 3 March 2010 and agreed by the European Council of 17 June 2010 includes, among its five headline targets to be achieved by 2020: 75% of men and women aged 20-64 years to be employed; to reduce early school-leaving to below 10% and at least 40% of 30-34 years old to have completed tertiary or equivalent education; and to reduce poverty by lifting at least 20

million people out of the risk of poverty or social exclusion;

G. whereas in its resolution of 21 November 2013, Parliament welcomed the Commission communication of 2 October 2013 entitled ‘Strengthening the social dimension of the Economic and Monetary Union’ and its proposal to establish a scoreboard of key employment and social indicators to be included in the Macroeconomic Imbalances Procedure (MIP) and the Joint Employment Report (JER), but regretted the fact that those indicators were insufficient to ensure comprehensive coverage of the Member States’ employment and social situations and the interdependence between them; whereas Parliament’s resolution stressed the need to ensure that this monitoring aims to reduce social divergences between Member States;

H. whereas the available data show that in four countries the progress made towards achieving the Europe 2020 targets is rapidly declining (see Annex 1);

1. Notes that the EU institutions (the ECB, the Commission and the Eurogroup) are fully co-responsible for the conditions imposed under the economic adjustment programmes, and therefore for their social consequences;
2. Deplores the fact that Parliament has been completely marginalised during all phases of the project: the preparatory phase, the development of mandates and the monitoring of the results achieved by the programmes and related measures;
3. Regrets the fact that those programmes were designed without any assessment of the consequences by means of impact studies or coordination with the Employment Committee, the Social Protection Committee, the Employment, Social Policy, Health and Consumer Affairs Council (EPSCO) or the Commissioner for Employment and Social Affairs; regrets, too, the fact that, despite the important social implications, the consultative bodies established by Treaty, in particular the European Economic and Social Committee (EESC) and the Committee of the Regions (CoR), were not consulted;

## **Employment**

4. Notes that the adjustment policies and structural reforms in the four countries have led to dramatic unemployment rates, historically high rates of job losses and worsening working conditions; points out that the consequences for activity rates, in particular as regards the sustainability of social protection and pension systems, are even more serious because the gap between the Europe 2020 targets and reality is rapidly growing ever wider;
5. Notes with great concern that it is young people who are suffering the highest levels of unemployment, with the situation in countries such as Greece, where the rate is over 50%, or Portugal and Ireland, where it is in excess of 30%, being quite devastating; regrets the fact that even those who do find a job often find themselves working under precarious conditions or on part-time contracts which make it hard to live independently;
6. Notes that the most vulnerable groups – the long-term unemployed, women, migrant workers and the disabled – have been strongly hit and are suffering from higher unemployment rates than the national average;
7. Warns that, if not remedied, these huge divergences, especially in the case of the younger

generation, will result in structural damage to the labour market of the four countries, limit their capacity for recovery, provoke massive forced migration with tremendous brain-drain effects and increase the persistent divergences between Member States supplying employment and those supplying a low-cost workforce;

8. Recalls that the Europe 2020 strategy accurately states that the figure to watch is the employment rate, which indicates the availability of human and financial resources to ensure the sustainability of our economic and social model; regrets that the slowdown in the unemployment rate is confused with the recovery of jobs lost; recalls that in the last four years job losses have reached 2 million in the four countries, which is 15% of existing jobs;

## **Poverty**

9. Is concerned that, among the conditions for financial assistance, the programmes include recommendations for specific cuts in fundamental areas of the fight against poverty, such as pensions, basic services, health care and pharmaceutical products for the basic protection of the most vulnerable; highlights the fact that the main impact of these measures is on the fight against child poverty;
10. Notes that Commission figures and various studies show that between 2008 and 2012 income distribution inequality grew in the four countries, and that the cuts in social and unemployment benefits resulting from austerity measures, as well as the wage reductions due to structural reforms, are raising poverty levels; notes, furthermore, that the Commission report found relatively high levels of in-work poverty due to low minimum wages being cut or frozen as a result of the austerity measures;
11. Deplores the fact that the level of people at risk of poverty or social exclusion has increased in the four countries; points out that during the last three years alone, figures show that the proportion of people at risk of poverty or social exclusion has risen to 26% in Portugal and to 15% in Ireland; notes, moreover, that these statistics hide a much harsher reality, which is that when GDP per capita falls, the poverty threshold also falls, meaning that we now consider to be out of poverty people who until recently were considered in poverty;
12. Welcomes the fact that in those studies the Commission recognised that only a strong reversal of current trends will make it possible to meet the Europe 2020 targets;
13. Regrets the fact that, for Greece, Ireland and Portugal at least, the programmes included a number of detailed prescriptions on health system reform and expenditure cuts, despite the fact that Article 168(7) TFEU prohibits such intervention;
14. Recalls that the Council of Europe has already condemned the cuts in the Greek public pension system, considering them to be a violation of Article 12 of the 1961 European Social Charter and of Article 4 of the Protocol thereto, stating that ‘the fact that the contested provisions of domestic law seek to fulfil the requirements of other legal obligations does not remove them from the ambit of the Charter’<sup>1</sup>; notes that this doctrine of maintaining the pension system at a satisfactory level to allow pensioners a decent life

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<sup>1</sup> European Committee of Social Rights, Decision of Merits, 7 December 2012, Complaint No 78/2012, p. 10.

is generally applicable in all four countries and should have been taken into consideration;

15. Points out, in addition, that the International Labour Organisation (ILO) strongly criticised the radical reforms of the pension system when its Expert Committee evaluated the application of Convention No 102 in the case of the Greek reforms, and that this same critical observation was included in its 29th annual report 2011; recalls that Convention No 102 is generally applicable in all four countries and should have been taken into consideration;

### **Early school-leaving**

16. Welcomes the fact that the levels of early school-leavers are falling in the four countries; notes, however, that this is partially explained by the difficulty young people are facing in finding employment;
17. Welcomes the fact that tertiary education attainment levels have been rising in all four countries; notes, however, that this is partially explained by the need of young people to improve their future labour market chances;

### **Social dialogue**

18. Regrets the fact that the programmes imposed on the four countries allow firms to opt out of collective bargaining agreements and to review sectoral wage agreements directly affecting the structure and values of collective bargaining arrangements set out in the respective national constitutions; notes that this resulted in a request by the ILO Expert Committee, in the case of Greece, to re-establish social dialogue, and, in the case of Portugal, for the Constitutional Court to annul certain legislative measures; stresses that this despicable situation is the consequence of having limited structural reforms involving only the deregulation of labour relations and wage cuts at any cost, which is in clear contradiction with the EU's general objectives and the policies of the Europe 2020 strategy;

### **Recommendations**

19. Calls on the Commission to carry out a detailed study of the social and economic consequences of the adjustment programmes in the four countries in order to provide a precise understanding of both the short-term and long-term damage to the social protection systems, with particular regard to the fight against poverty, the maintaining of good social dialogue and the balance between flexibility and security in labour relations; calls on the Commission to use its consultative bodies when drafting this study, as well as the Employment Committee and the Social Protection Committee; suggests that the EESC be asked to draft a specific report;
20. Calls on the Commission to ask the ILO and the Council of Europe to draft reports on possible corrective measures and incentives to ensure full compliance with the European Social Charter and the Protocol thereto and with the ILO Core Conventions, since the obligations deriving from them have been affected by the budgetary adjustment measures and the structural reforms requested by the Troika;
21. Calls on the EU to provide support, after the assessment, including through financial

resources where appropriate, for the recovery of social protection standards and of the fight against poverty reduction and the renewal of social dialogue through a social recovery plan; calls on the Commission, the ECB and the Eurogroup to phase out the exceptional measures that have been put in place;

22. Calls for compliance with the above-mentioned legal obligations laid down in the Treaties and in the Charter of Fundamental Rights, as failure to comply constitutes an infringement of EU primary law;
23. Calls on the EU not to apply such institutional and financial solutions in future, and to put in place mechanisms enabling the EU institutions to achieve the social goals and policies set out in the Treaties, in particular those relating to the individual and collective rights of those at greatest risk of social exclusion;
24. Calls on the Commission and the Council to give the same attention to social imbalances, and to correcting them, as it does to macroeconomic imbalances, and to that end to put EPSCO and its priorities on an equal footing with ECOFIN and the Eurogroup;

## ANNEX 1

Social indicators of EU2020 strategy	Greece				Portugal				Ireland				Cyprus				EU 27			
	2007	2009	2012	2013 <sup>1</sup>	2007	2009	2012	2013	2007	2009	2012	2013	2007	2009	2012	2013	2007	2009	2012	2013 <sup>2</sup>
Employment rate (20-64 years) in % of population	65.7	65.8	55.3	53.5	72.6	71.2	66.5	65.3	73.8	66.9	63.7	65.3	76.8	75.3	70.2	67.3	70.0	69.2	68.7	68.5
Women	58	52.7	45.2	43.6	66.3	66.1	63.1	62.2	64.4	61.8	59.4	60.3	67.7	68.3	64.8	62.1	62.1	62.5	62.6	62.7
	Men	80.4	78.8	65.3	63.3	79.1	76.5	69.9	68.5	83.0	72.1	68.1	70.4	86.4	82.8	76.1	72.9	77.9	76.0	74.8
Youth <sup>3</sup>	24	22.9	13.1	11.6	34.9	31.3	23.6	21.7	50.4	36.9	28.2	28.8	37.4	34.8	28.1	21.2	36.9	34.9	32.8	32.3
People at risk of poverty or social exclusion (in thousands)	3064	3007	3795	-	2653	2648	2665	-	1005	1150	1319	-	195	188	234	-	119397	114353	123118(Estimated)	-
Early leavers from education and training in % of population	14.6	14.5	11.4	-	36.9	31.2	20.8	-	11.6	11.7	9.7	-	12.5	11.7	11.4	-	15.0	14.3	12.8	-
Tertiary education attainment (% population 30-34)	26.2	26.5	30.9	-	19.8	21.1	27.2	-	43.3	48.9	51.1	-	46.2	45.0	49.9	-	30.0	32.2	35.8	-

Other indicators	Greece				Portugal				Ireland				Cyprus				EU 27			
	2007	2009	2012	201	2007	2009	2012	2013	200	2009	2012	201	2007	2009	2012	2013	200	200	201	201

<sup>1</sup> Data from Q2 2013

<sup>2</sup> Data from Q2 2013

<sup>3</sup> Age group: 15-24 year olds

				<b>3</b>					<b>7</b>			<b>3</b>				<b>7</b>	<b>9</b>	<b>2</b>	<b>3</b>	
<b>Unemployment rate in % of population</b>	8.3	9.5	24.3	27.3	8.9	10.6	15.9	15.7	4.7	12.0	14.7	12.6	3.9	5.4	11.9	17.0	7.1	8.9	10.4	10.9