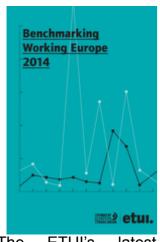
ETUI report underlines the costs of austerity

By Steve Coulter, LSE

Just out from the European Trade Union Institute (ETUI) is 'Benchmarking Working Europe 2014', the ETUI's annual stock-take of macro-economic, social and bargaining conditions in Europe. Reflecting the impact of five years of austerity, it makes for fairly gloomy reading. Statistical indicators in the report show not only that the crisis is not ending, it's actually still getting worse. The ETUI tracks a clutch of negative trends in things like inequality and social conditions alongside signs of a dismantling of national social models.

The report tries to answer the question of whether Europe is still suffering the consequences of crisis, or if the current situation is the result of disastrous policy choices. If the latter, then is there a viable alternative? Arguably, the period from 2008-2009 saw an all too brief Keynesian interlude in policy responses to the crisis as European initially governments backed a global strategy of reflation. But this gave way to an obsessive focus on austerity policies which have pushed Europe to the edge of deflation, says the ETUI. However, it now appears that the IMF, ECB, European Commission 'Troika', blamed for pushing austerity on weak economies in need of more stimulus were, in fact, far from unanimous that this was a good idea.



The ETUI's latest assessment of economic and social conditions in Europe

For example, a joint EU-IMF aid plan was discussed in early 2010 on the fringes of a meeting in Brussels between senior IMF and Commission officials. The IMF was involved in order to circumvent rules preventing bailouts of EU member states. But German resistance to bailouts ensured that the ultimate outcome of the meeting was the launching of the 'Six Pack and accompanying tight rules on budgetary discipline. As 'Benchmarking Working Europe' argues, 'The policies adopted in Europe as from 2010 were actually subject to vehement controversy within the Troika itself. At the level of theoretical debate, austerity was not the only option available; nor did it – in view of some of the parties involved at the time – constitute the best choice.'

In other words, things could have been different. But is there ever much point in crying over spilt milk? Well, so long as austerity is continuing to inflict sustained mass unemployment on much of Europe, then any debate about the origins and intellectual foundations of this policy is probably worth having. Elsewhere, for example, the ETUI points out that Europe 2020 employment rate targets are as far away from being met as ever (Chapter 2). The worsening labour market situation also has an important knock-on effect on inequality and poverty, which are both increasing sharply (Chapter 3). Particularly hard hit are the young and unskilled. So a change in direction could at least begin to stop the situation getting worse.

The ETUI also warns about growing political interference in national systems of collective bargaining and procedures to ensure wage restraint (Chapters 4 and 5). It suggests that increasing the precariousness of employment is a conscious response by policymakers to rising joblessness – as though the former will help to combat the latter. Another casualty of austerity is, of course, climate change policy. Although the EU can boast it is on target to meet its emissions obligations, this is mostly thanks to slowing economic growth. Elsewhere, investment in energy efficiency has fallen sharply (Chapter 8), depriving Europe of a possible source of future growth when the recovery begins.

After all that gloom, the report attempts to end on an optimistic note, pointing out that policy mechanisms exist to improve economic and structural coordination among EU members. But political failures at national and EU levels will make getting out of this mess a long and painful process. Perhaps 'Benchmarking Working Europe 2015' will have a more cheerful tale to tell – but the signs don't look good.

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April 7th, 2014 | Eurozone Crisis, Labour Markets, Social Conditions, Trade Unions | 0 Comments

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