

---

**Position paper on the economic crisis  
adopted by the EMF Collective Bargaining Policy Committee  
Luxembourg, 24<sup>th</sup> & 25<sup>th</sup> March 2009**

After years of prosperous economic development the world's economy has been on the decline since the third quarter of 2008. Dropping down into crisis happened faster and more dramatically than expected, but it was not totally unexpected. The situation as regards the real economy was volatile and influenced by short-term thinking on behalf of shareholders and ongoing globalisation. Another signal was the ongoing flexibilization and the continuous efforts to reduce workers' rights.

The origin of the crisis was the bursting bubble of the US real estate market in late summer of 2007. By the end of the year the trouble in the real estate market had developed into a strong economic crisis. Finally, with the collapse of Lehmann-Brothers Bank on 15 September 2008, the smouldering financial market crisis produced a worldwide fire. Sub-prime products had been distributed around the world and now lay in the banks' portfolios. The supposed balancing of risk was hence converted into a highly explosive bomb.

This crisis as regards the financial system encountered a cyclic overproduction crisis and each intensified the other. At the same time, all countries have been affected by the crisis. Not only the US, the UK and Spain where the trigger was a crisis in the real estate market, but also the complete Eurozone, were dragged into economic crisis. Big Newly Industrializing Countries like China still have positive growth rates, but with a weaker dynamic now. These slower growth rates can not stop or compensate the worldwide economic decrease. So any region of the world can play the role of the economic locomotive at the moment. This is a fatal situation, especially for export-orientated countries.

The forecasts for the European Union are dismal. In the first quarter of 2009 some countries in the Eurozone suffered an even worse economic decrease than in the last quarter of 2008. It can be expected that monetary and fiscal policy measures will slow down the decrease. Whether the bottom can be reached in the middle of the year, however, is still uncertain. During the crisis many EU countries will suffer structural changes, which makes a return to the former economic dynamic more difficult. Current forecasts expect a decrease of economic growth of more than 3% in the European Union.

With this background the unemployment rate in the European Union will increase and could reach a rate of 9.3% in 2009 and 10.2% in the year 2010. At the same time wages will increase more slowly. This could produce a devastating pro-cyclic effect on the European internal market.

With its 5-point plan for a New Social Deal, the ETUC has raised political demands for the introduction of instruments to ensure a better and more effective control of the financial market. This plan also includes social industrial policy demands with the aim of managing the structural change caused by the crisis. Investments in new, sustainable

technologies, investments for the future and the negotiation of industrial plans can protect employment and provide more and better jobs.

We can support this 5-point plan for a New Social Deal. But for the EMF, solidarity in collective bargaining is an effective instrument to defend workers' interests in the current crisis besides the above-mentioned political instruments. This solidarity collective bargaining at European level must contain the following elements:

**1) An active wage policy with the objective of a strong increase in real wages and income support**

Strong increases in wages and income support for workers in an economic crisis are absolutely necessary not only for social reasons but also for economic reasons. Only with a secure income can internal demand within the European Union be stabilized and risks of deflation rejected.

**2) Secure Employment**

Working time policy is an instrument which can secure employment in the current crisis. The spectrum includes flexible instruments like flextime accounts, short-time work, part-time work, temporary unemployment, training and education provisions, but also the reduction of standard working time, which is arranged via collective agreements. All systems should be backed up by access to unemployment benefit.

**3) Strengthening the European coordination of collective bargaining**

In the current crisis we can observe tendencies of a relapse to protectionism within the European Union. Such a tendency cannot be an example for the EMF and its affiliates. The crisis will prove the worth of the collective bargaining policy coordinated by the EMF. The EMF coordination policy is in fact even more important today than in the past and must be strengthened. Undercutting wages must be avoided at all costs and the EMF rejects all wage reductions.

**4) Strengthening European cooperation at company level**

The effects of the crisis are immediately visible at company level. The EMF provides an excellent framework and tool to coordinate the efforts of metalworkers' unions at European level. All of the EMF coordination methods at European level have to be used in an optimum way.

**5) Stabilizing lowest incomes by minimum wages**

The low-cost sector must be reduced in Europe. One means of doing this is to introduce minimum wages where relevant and to improve existing minimum wages at higher levels.

**A redistribution of income from the top to the bottom is the best programme of economic revival in the current situation.**

---

BS/UF March 15  
26<sup>th</sup> March 2009