



Brussels, 10 December 2010
JM/RJ/JJ

- To the members of the Economic and Monetary affairs committee and Employment Committee

Dear Madam, Dear Sir,

The ETUC is deeply concerned about the Commission's proposals on economic governance and the impact these may have on wages across Europe.

Wages did not cause this crisis. The origin of the crisis is to be found in financial markets feeding asset booms with excessive credit growth, in the end resulting in unsustainable private sector debt loads. However, by linking macro economic imbalances with competitiveness and unit wage costs, the burden of adjustment is shifted back to workers and their wages, in particular to workers in savings deficit countries.

The Commission's focus on wage competitiveness carries huge risks with it.

It risks undermining one internal market by forcing workers to undercut each other's wages.

It risks pushing member states that are already experiencing very low inflation into deflation, with the process of debt deflation choking these economies for years to come.

It risks driving high inequalities even higher with business using wage cuts to increase profit margins.

It risks to lead member states on the mistaken path of trying to address global competition by downgrading wages instead of upgrading the economy's capacity to innovate.

Above all, the risk is that the focus on controlling wages will open the way to a brutal dismantlement of a broad range of institutions and workers' rights which promote and defend wages, such as minimum wages, extension of collective bargaining, job protection, working time, robust unemployment benefit systems and strong trade unions. What is now being done to workers in Greece, Ireland, Romania and Latvia may constitute the blueprint for a system of economic governance until will force the rest of workers in Europe to follow.

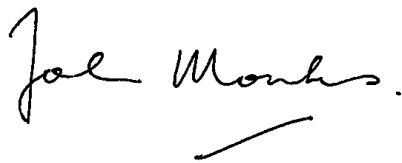
The risk of such a 'total attack' on Working Europe is all the more likely since the proposals that accompany the competitiveness scoreboard (reversed majority voting within ten days after the Commission proposal) provide for almost automatic recommendations followed by sanctions if member states do not to cut wages and dismantle workers' rights within the set period of time.

We therefore call upon you as a member of European Parliament to refuse to assist in the construction of a European law or a forced process to pull down wages and substantially weaken workers' rights. In this respect, the ETUC recalls that the Lisbon Treaty (article 135) does not provide the European Union with any competence whatsoever on the issue of 'pay'. The Union on the contrary is obliged to promote social justice and protection (Art.3 TEU).

Finally, to rebalance the Commission's economic governance proposals, the ETUC will shortly propose amendments. These will refocus economic governance on the role of high and rising inequalities in causing macro economic imbalances, On the needs for EuroCards and financial transaction taxes, on unit profit costs and excessive dividends and bonuses, on symmetric adjustment between deficit and surplus countries while avoiding deflation, on the importance of social dialogue and on the removal in the proposals of reversed majority voting leading to automatic sanctions against member states refusing to crack down on wages.

We very much count on your support. The survival of Social Europe, of Workers' Europe will depend on it.

Yours sincerely

A handwritten signature in black ink that reads "John Monks." The signature is written in a cursive style with a long horizontal stroke at the end.

John Monks
ETUC General Secretary