



EUROPEAN PARLIAMENT

2009 - 2014

Plenary sitting

A7-0135/2014

20.2.2014

REPORT

on Employment and social aspects of the role and operations of the Troika (ECB, Commission and IMF) with regard to euro area programme countries (2014/2007(INI))

Committee on Employment and Social Affairs

Rapporteur: Alejandro Cercas

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MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

on Employment and social aspects of the role and operations of the Troika (ECB, Commission and IMF) with regard to euro area programme countries (2014/2007(INI))

The European Parliament,

- having regard to the Treaty on the Functioning of the European Union (TFEU), in particular Articles 9, 151, 152 and 153 thereof,
- having regard to the Charter of Fundamental Rights of the EU, in particular to its Title IV (Solidarity),
- having regard to the revised European Social Charter, in particular its Article 30 on the right to protection against poverty and social exclusion,
- having regard to the public hearing held by the Employment and Social Affairs Committee on 9 January 2014 on “the employment and social aspects of the role and operations of the Troika with regard to euro area programme countries”,
- having regard to the four draft policy notes with evaluations of the social and employment aspects and challenges in Greece, Portugal, Ireland and Cyprus, respectively, prepared in January 2014 by DG IPOL’s Economic and Scientific Policies Economic Governance Support Unit,
- having regard to the economic dialogue and exchange of views with the Greek Minister of Finance and the Greek Minister of Labour, Social Security and Welfare organised jointly by the EMPL and ECON committees on 13 November 2012,
- having regard to the five decisions of the Council of Europe’s European Committee on Social Rights of 22 April 2013 concerning pension schemes in Greece¹,
- having regard to the 365th Report of the Committee on Freedom of Association of the International Labour Organisation (ILO),
- having regard to its resolution of 8 October 2013 on the effects of budgetary constraints for regional and local authorities regarding the EU’s Structural Funds expenditure in the Member States²,
- having regard to its resolution of 4 July 2013 on the impact of the crisis on access to care for vulnerable groups³,

¹ http://www.coe.int/T/DGHL/Monitoring/SocialCharter/NewsCOEPortal/CC76-80Merits_en.asp

² Texts adopted, P7_TA(2013)0401.

³ Texts adopted, P7_TA(2013)0328.

- having regard to its resolution of 11 June 2013 on social housing in the European Union¹,
- having regard to its resolution of 31 January 2012 on employment and social aspects in the Annual Growth Survey 2012²,
- having regard to the Commission Communication of 13 November 2013 entitled “Annual Growth Survey 2014” (COM(2013)0800) and to the draft Joint Employment Report annexed thereto,
- having regard to its resolution of 23 October 2013 on the European Semester for economic policy coordination: implementation of 2013 priorities³,
- having regard to the Commission Communication of 2 October 2013 entitled ‘Strengthening the social dimension of the Economic and Monetary Union’ (COM(2013)0690),
- having regard to Oral Question O-000120/2013 to the Commission, and to Parliament’s related resolution of 21 November 2013 on the Commission Communication entitled ‘Strengthening the social dimension of the Economic and Monetary Union (EMU)’⁴,
- having regard to the EMPL opinion to its resolution of 20 November 2012 on the report of the Presidents of the European Council, the European Commission, the European Central Bank and the Eurogroup “Towards a genuine Economic and Monetary Union”⁵,
- having regard to the Commission Communication of 16 December 2010 entitled ‘The European Platform against Poverty and Social Exclusion: A European framework for social and territorial cohesion’ (COM(2010)0758), and to its resolution of 15 November 2011 thereon⁶,
- having regard to its resolution of 20 November 2012 on Social Investment Pact – as a response to the crisis⁷,
- having regard to the **Eurofound report of 12 December 2013 entitled** “Industrial relations and working conditions in Europe 2012”,
- having regard to the Commission Communication of 20 February 2013 entitled ‘Towards Social Investment for Growth and Cohesion – including implementing the European Social Fund 2014-2020’ (COM(2013)0083),
- having regard to Oral Question O-000057/2013 to the Commission, and to Parliament’s related resolution of 12 June 2013 on the Commission Communication ‘Towards Social Investment for Growth and Cohesion – including implementing the European Social Fund

¹ Texts adopted, P7_TA(2013)0246.

² Texts adopted, P7_TA(2012)0047.

³ Texts adopted, P7_TA(2013)0447.

⁴ Texts adopted, P7_TA(2013)0515.

⁵ Texts adopted, P7_TA(2012)0430.

⁶ OJ C 153 E, 31.5.2013, p. 57.

⁷ Texts adopted, P7_TA(2012)0419.

2014-2020¹,

- having regard to the Committee of Regions’ fourth Monitoring Report on Europe 2020 of October 2013,
 - having regard to the ILO’s Working Paper Nr 49 of 30 April 2013 entitled “The impact of the eurozone crisis on Irish social partnership: A political economy analysis”,
 - having regard to the ILO’s Working Paper Nr 38 of 8 March 2012 entitled “Social dialogue and collective bargaining in times of crisis: The case of Greece”,
 - having regard to the ILO’s report of 30 October 2013 entitled “Tackling the job crisis in Portugal”,
 - having regard to the Bruegel report of 17 June 2013 entitled “EU-IMF assistance to euro-area countries: an early assessment” (Bruegel Blueprint 19),
 - having regard to the Eurostat news releases on euro indicators of 12 February 2010 (22/2010) and of 29 November 2013 (179/2013),
 - having regard to OECD Economics Policy Paper No. 1 of 12 April 2012 entitled ‘Fiscal consolidation: How much, how fast and by what means? – An Economic Outlook Report’,
 - having regard to the Commission Communication of 3 March 2010 entitled “Europe 2020 A strategy for smart, sustainable and inclusive growth” (COM(2010)2020),
 - having regard to the European Trade Union Institute (ETUI) Working Paper of May 2013 entitled “The Euro crisis and its impact on national and European social policies”,
 - having regard to the Commission report of June 2013 entitled “Labour Market Developments in Europe 2013” (European Economy series 6/2013),
 - having regard to the Caritas Europe document of February 2013 entitled “the impact of the European Crisis: a study of the impact of the crisis and austerity on the people, with a special focus on Greece, Ireland, Italy, Portugal and Spain”,
 - having regard to the Oxfam Policy Brief of September 2013 entitled “A cautionary tale: the true cost of austerity and inequality in Europe”,
 - having regard to Rule 48 of its Rules of Procedure,
 - having regard to the report of the Committee on Employment and Social Affairs (A7-0135/2014),
- A. whereas the unprecedented economic and financial crisis that has highlighted the fragility of public finances in some Member States, and the economic adjustment programme measures adopted in response to the situation experienced by Greece (May 2010 and March 2012), Ireland (December 2010), Portugal (May 2011) and Cyprus (June 2013),

¹ Texts adopted, P7_TA(2013)0266.

have had a direct and indirect impact on employment levels and on the living conditions of many people; whereas all the programmes, although formally signed by the Commission, were designed, and their conditionality determined, jointly by the IMF, the Eurogroup, the European Central Bank (ECB), the Commission and the Member States to be bailed-out;

- B. whereas once the economic and budgetary sustainability of these four countries can be guaranteed, efforts should be focused on social aspects, with special attention paid to job creation;
- C. whereas Article 9 TFEU prescribes: ‘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’;
- D. 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’;
- E. whereas Article 36 of the Charter of Fundamental Rights of the European Union commits the Union to recognising and respecting “access to services of general economic interest as provided for in national laws and practices, in accordance with the Treaties, in order to promote the social and territorial cohesion of the Union”; whereas Article 14 TFEU establishes that “given the place occupied by services of general economic interest in the shared values of the Union as well as their role in promoting social and territorial cohesion, the Union and the Member States, each within their respective powers and with the scope of application of the Treaties, shall take care that such services operate on the basis of principles and condition, particularly economic and financial conditions, which enable them to fulfil their missions”; whereas Article 345 TFEU provides that the Treaties “shall in no way prejudice the rules in Member States governing the system of property ownership”; and whereas Protocol No. 26 on services of general interest elaborates on the shared values of the Union with respect to services of general economic interest;
- F. 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;
- G. 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 recognition and respect for the right to access services of general economic interest (Article 36);

- H. 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; early school-leaving to be reduced to below 10% and at least 40 % of 30-34 year-olds to have completed tertiary or equivalent education; and poverty to be reduced by means of lifting at least 20 million people out of the risk of poverty or social exclusion;
 - I. whereas, according to the Commission’s Quarterly Review of October 2013 entitled “EU Employment and Social Situation”, the severe fall in the GDP of Greece, Portugal and Ireland was mostly translated in employment decline;
 - J. 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, complementary to the Macroeconomic Imbalances Procedure (MIP) and the Joint Employment Report (JER), as a step towards a social dimension of EMU; stresses that those indicators should be sufficient to ensure comprehensive and transparent coverage of the Member States’ employment and social situations; whereas the resolution stressed the need to ensure that this monitoring aims to reduce social divergences between Member States and to promote upward social convergence and social progress;
 - K. whereas the available data shows that in the four countries there is a regression towards achieving the social targets of the Europe 2020 (see Annex 1), with the exception of the targets related to early leavers from education and to training and tertiary education attainment;
 - L. whereas long-term economic prospects in these countries are improving; whereas this should begin to aid the creation of new jobs in these economies and reverse the trend of declining employment;
1. Notes that the EU institutions (the ECB, the Commission and the Eurogroup) are also responsible for the conditions of the economic adjustment programmes; notes also that there is a need to guarantee the sustainability of public finances and to ensure that citizens have proper social protection;
 2. Deplores the fact that Parliament has been completely marginalised in all phases of the programmes: the preparatory phase, the development of mandates and the monitoring of the impact of the results achieved by the programmes and related measures; notes that, even though this association with the European Parliament was not compulsory due to the lack of legal basis, the absence of the European institutions as well as that of European financial mechanisms meant that the programmes had to be improvised, leading to financial and institutional agreements outside the community method; notes, in the same vein, that the ECB has taken decisions that fall outside its mandate; recalls the

Commission's role as guardian of the Treaties and that this role should always have been respected; considers that only genuinely democratically accountable institutions should steer the political process of designing and implementing the adjustment programmes for countries in severe financial difficulties;

3. Regrets the fact that the programmes in question were designed without sufficient means to assess their consequences using impact studies or through 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 the ILO was not consulted and 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;
4. Regrets that the conditionality imposed in return for the financial assistance has threatened the EU's social objectives for several reasons:
 - the EU was ill-prepared and ill-equipped to deal with the problems that arose, not least the immense sovereign debt crisis, a situation that demanded an immediate response in order to avoid bankruptcy;
 - while the programmes are of specific duration, a number of the measures stipulated under these programmes shouldn't have been long-term in nature;
 - the measures are particularly burdensome, mainly because the worsening of the economic and social situation was not noticed in time, because little time was allowed to implement them, and because proper impact assessments were not made of their distributional impact on different groups of society;
 - despite appeals by the Commission, EU funds left over from 2007-2013 framework have not been used in a prompt manner;
 - the measures could have been accompanied by better efforts to protect vulnerable groups, such as measures to prevent high levels of poverty, deprivation and health inequalities resulting from the fact that low income groups are especially dependant on public health systems;

Employment

5. Notes that the extremely difficult economic and financial crisis and the adjustment policies in the four countries have led to increased unemployment and job loss rates, and in the numbers of long-term unemployed, and have in some cases led to worsened working conditions; points out that employment rates play an outstanding role in the sustainability of social protection and pension systems, as well as in the achievement of the Europa 2020 social and employment targets;
6. Notes that expectations of a return to growth and job creation through internal devaluation, in order to regain competitiveness, have not been fulfilled; highlights the fact that these failed expectations reflect a tendency to underestimate the structural character of the crisis as well as the importance of maintaining domestic demand, investment and credit support to the real economy; stresses the procyclical character of the austerity

measures and the fact that they haven't been accompanied by structural changes and reforms on a case-by-case basis, in which special attention is given to vulnerable sections of society with a view to achieving growth, accompanied by social cohesion and employment;

7. Notes that the high rates of unemployment and underemployment, combined with public and private sector pay cuts and, in some cases, a lack of effective action to combat tax evasion while lowering the contribution rates, are undermining the sustainability and adequacy of public social security systems as a result of social security funding shortfall;
8. Notes that the worsening conditions and the loss of SMEs is one of the main causes of job losses and the biggest threat to future recovery; notes that the adjustment policies did not take into account strategic sectors which should have been considered in order to preserve future growth and social cohesion; notes that this has led to significant job losses in strategic sectors such as industry and R&D&I; points out that the four countries must make an effort to create the favourable conditions needed for companies, and SMEs in particular, to be able to develop their business sustainability in the long term; points out that many public sector jobs have been shed in basic public sectors such as health, education and social public services;
9. Deplores the fact 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 %), Portugal and Ireland (where it was in excess of 30 % in 2012) and Cyprus (where it is about 26,4 %) being particularly serious; notes that these figures persist five years into the crisis; regrets the fact that even when young people do find a job, many of them – on average 43 %, as compared to 13 % of adult workers – often find themselves working under precarious conditions or on part-time contracts, making it difficult for them to live independently from their families, and resulting in a loss of innovation and expert resources affecting production and growth;
10. Notes that the most vulnerable groups on the labour market – the long-term unemployed, women, migrant workers and persons with disabilities – have suffered most and are experiencing higher unemployment rates than the national averages; notes the severe rise in the long-term unemployment rate of women and senior workers, and the additional difficulties these workers will face when seeking to re-enter the labour market once the economy eventually recovers; stresses that these workers need targeted measures;
11. Warns that, if not remedied, these huge divergences, especially in the case of the younger generation, may in the long run result in structural damage to the labour market of the four countries, limit their capacity for recovery, provoke involuntary migration that further exacerbates the effects of an ongoing brain-drain, and increase the persistent divergences between Member States supplying employment and those supplying a low-cost workforce; regrets that negative social and economic developments are amongst the main motivations for young people to migrate and to exercise their right to freedom of movement;
12. Is concerned about the fact that, in some cases and sectors, there is, along with job losses, a decline in job quality, an increase in precarious forms of employment and a deterioration of basic labour standards; stresses that Member States need to make dedicated efforts to

address the increase in involuntary part-time employment and temporary contracts, payless internships and apprenticeships, and bogus self-employment, as well as the activities of the black economy; notes, furthermore, that even though the setting of wages does not fall within the competences of the EU the programmes have had an impact on minimum wages: in Ireland it became necessary to reduce the minimum wage by nearly 12 % (a decision which, however, was later changed), and in Greece a radical cut of 22 % was decreed;

13. 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; asks that the slowdown in the unemployment rate not be confused with a recovery of jobs lost as no account is taken of the increase in emigration; observes that the decline in industrial employment was a problem already before the programmes were launched; stresses that there is a need for more and better jobs; recalls that in the last four years job losses have reached 2 million in the four countries, or 15 % of the jobs that existed in 2009; welcomes the fact that recent data shows a small increase in employment figures for Ireland, Cyprus and Portugal;

Poverty and social exclusion

14. Is concerned that, among the conditions for financial assistance, the programmes include recommendations for specific cuts in real social spending in fundamental areas, such as pensions, basic services, health care and, in some cases, pharmaceutical products for the basic protection of the most vulnerable, as well as in environmental protection, rather than recommendations allowing national governments more flexibility to decide where savings could be made; fears that the main impact of these measures is on the fight against poverty, especially child poverty; restates that fighting poverty, especially child poverty, should continue to be an objective to be achieved by the Member States and that fiscal and budgetary consolidation policies should not undermine this;
15. Expresses its concern that, in the preparation and implementation of the economic adjustment plans, insufficient attention was given to the impact of economic policy on employment or to its social implications and that, in the case of Greece, the working hypothesis turned out to be based on a mistaken assumption regarding the economic multiplier effect, resulting in failure to act in time to protect the most vulnerable against poverty, in-work poverty and social exclusion; calls on the Commission to take account of social indicators also for the purpose of renegotiating the economic adjustment programmes and replacing the measures recommended for each Member State, with a view to ensuring the necessary conditions for growth and full compliance with the EU's basic social principles and values;
16. Notes that despite the fact that the Commission, in its Quarterly Review of October 2013 ("EU Employment and Social Situation"), emphasises the importance of social protection expenditure as a safeguard against social risks, since 2010 Greece, Ireland and Portugal have had the largest decreases in social spending in EU;
17. Highlights that new forms of poverty touching the middle and working class are arising in some cases where difficulties in paying mortgages and high energy prices are creating energy poverty and increasing evictions and foreclosures; is concerned by evidence that

levels of homelessness and housing exclusion are increasing; recalls that this represents a violation of fundamental rights; recommends that the Member States and their local authorities introduce neutral housing policies that favour social and affordable housing, tackle the issue of housing vacancy and implement effective prevention policies to reduce the number of evictions;

18. Expresses concern that the (micro and macro) social and economic situation in these countries is aggravating regional and territorial disparities, thereby undermining the stated EU objective of strengthening internal regional cohesion;
19. Notes that international and social organisations have warned that the new pay-scale, grading and dismissals system in the public sector will have a gender gap impact; notes that the ILO has expressed concern over the disproportionate impact of new flexible forms of employment on women's pay; notes, furthermore, that the ILO has asked governments to monitor the impact of austerity on remuneration of men and women in the private sector; notes with concern that the gender pay gap has ceased to narrow in countries undergoing adjustment, where the disparities are wider than the EU average; maintains that wage inequalities and the falling female employment rate need to receive greater attention in the Member States undergoing adjustment;
20. Notes that Eurostat and Commission figures, along with various other studies, show that, in some cases, income distribution inequality grew between 2008 and 2012, and that cuts in social and unemployment benefits, as well as wage reductions owing 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;
21. Regrets the fact that in most cases the level of people at risk of poverty or social exclusion has increased; 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 people who until recently were considered to be in poverty are now considered to be out of poverty; points out that, in the countries undergoing adjustment and budgetary crisis, the fall in GDP, the slump in public and private investment and the drop in R&D investment are leading to a reduction of the potential GDP and creating long-term poverty;
22. Welcomes the fact that in the aforementioned studies the Commission recognises that only a strong reversal of current trends will make it possible for the entire EU to meet the Europe 2020 targets;
23. 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 that have had an impact on the quality and universal accessibility of social services, especially in health and social care, despite the fact that Article 168(7) TFEU establishes that the EU will respect the competences of the Member States; is concerned about the fact that this has in some cases led to a number of people being denied health insurance coverage or access to social protection, thereby increasing the risk of extreme poverty and social exclusion, as reflected in the growing number of destitute and homeless people and their lack of access to basic goods and services;
24. Regrets that no targeted effort has been made to identify inefficiencies in health systems

and in decisions to make across-the-board cuts in health budgets; warns that implementing co-payments could cause patients to delay seeking care, thereby placing the financial burden on households; cautions that salary reductions for healthcare professionals could have a negative effect on patient safety and cause migration of healthcare professionals;

25. Reiterates that Article 12 of the International Covenant on Economic, Social and Cultural Rights (ICESCR) provides for the right of everyone to the highest attainable standard of physical and mental health; notes that all four countries are signatories to the Covenant and thus have recognised the right to health for everyone;
26. 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’¹; notes that this doctrine of maintaining the pension system at a satisfactory level to allow pensioners a decent life is generally applicable in all four countries and should have been taken into consideration;
27. Deplores cuts to resources for independent living for persons with disabilities;
28. Points out that when the ILO’s Expert Committee evaluated the application of Convention No 102 in the case of the Greek reforms, it strongly criticised the radical reforms of the pension system, 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;
29. Stresses that the increasing social poverty in the four countries is also producing an increase in solidarity among the most vulnerable groups, thanks to private efforts, family networks and aid organisations; stresses that this type of intervention should not become the structural solution to the problem, even if it alleviates the situation for the most deprived and shows the qualities of the European citizenship;
30. Notes with concern the steady rise in the Gini coefficient against the general downward trend in the Eurozone, which means that there has been a significant increase in wealth distribution inequalities in the adjustment countries;

Early school-leaving

31. Welcomes the fact that the levels of early school-leavers are falling in the four countries; notes, that this may be partially explained by the difficulties young people are facing in finding employment; recalls the urgent need to recover quality vocational training systems, since this is one of the best ways to improve young people’s employability;
32. Welcomes the fact that tertiary education attainment levels have been rising in all four countries; notes that this may partially be explained by the need for young people to improve their future labour market chances;

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

33. Regrets that, mainly due to the cuts in public funding, the quality of the education systems is not following this positive path, exacerbating the problems faced by young persons not in education, employment or training ('NEETs') and by children with special needs; notes that these measures could have practical implications for the quality of education as well as on the material and human resources available, class sizes, curricula and school concentration;

Social dialogue

34. Stresses that the social partners at national level should have been consulted or involved in the initial design of programmes; regrets the fact that the programmes designed for the four countries in some cases allow firms to opt out of collective bargaining agreements and to review sectorial wage agreements, which has direct consequences for the structure and values of collective bargaining arrangements set out in the respective national constitutions; notes that the ILO Expert Committee has requested that the social dialogue be re-established; condemns the undermining of the principle of collective representation, which puts into question the automatic renewal of bargaining agreements that, in some countries, is important, as a consequence of which the number of collective agreements in force has fallen substantially; condemns the cut in minimum wages and the freezing of nominal minimum wages; stresses that this situation is the consequence of having limited structural reforms involving only the deregulation of labour relations and wage cuts, which runs counter to the EU's general objectives and the policies of the Europe 2020 strategy;

35. Points out that there is no single solution that can be applied across all the Member States;

Recommendations

36. Calls on the Commission to carry out a detailed study of the social and economic consequences of the economic and financial crisis, and the adjustment programmes carried out in response to it in the four countries, in order to provide a precise understanding of both the short-term and long-term effects on employment and social protection systems, and on the European social acquis, with particular regard to the fight against poverty, the maintenance 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;

37. Invites the Commission to ask the ILO and the Council of Europe to draft reports on possible corrective measures and incentives needed to improve the social situation in these countries, their funding and the sustainability of public finances, and to ensure full compliance with the European Social Charter, with the Protocol thereto and with the ILO's Core Conventions and its Convention 94, since the obligations deriving from these instruments have been affected by the economic and financial crisis and by the budgetary adjustment measures and the structural reforms requested by the Troika;

38. Calls on the EU, taking into account the sacrifices that these countries have made, to provide support, after the assessment and with sufficient financial resources where appropriate, for the recovery of social protection standards, the fight against poverty

reduction, the support of education services, in particular those targeting children with special needs and persons with disabilities, and the renewal of social dialogue through a social recovery plan; calls on the Commission, the ECB and the Eurogroup to review and revise, where appropriate and as soon as possible, the exceptional measures that have been put in place;

39. Calls for compliance with aforementioned 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; calls on the European Union Agency for Fundamental Rights to assess thoroughly the impact of the measures on human rights and to issue recommendations in case of breaches of the Charter;
40. Calls on the Troika and the Member States concerned to end the programmes as soon as possible and to put in place crisis management mechanisms enabling all EU institutions, including Parliament, to achieve the social goals and policies – also those relating to the individual and collective rights of those at greatest risk of social exclusion – set out in the Treaties, in European social partner agreements and in other international obligations (ILO Conventions, the European Social Charter and the European Convention of Human Rights); calls for increased transparency and political ownership in the design and implementation of the adjustment programmes;
41. 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 see to it that adjustment measures seek to ensure social justice and enable a balance between economic growth and employment, the implementation of structural reforms and budget consolidation; calls, furthermore, on both institutions to prioritise employment creation and entrepreneurship support, and, to that end, to pay as much attention to EPSCO and its priorities as to ECOFIN and the Eurogroup and, whenever necessary, to hold a Eurogroup employment and social affairs ministers' meeting prior to euro summits;
42. Recommends that the Commission and the Member States consider public health and education spending not as a spending exposed to cuts but as a public investment in the future of the country, to be respected and increased so as to improve its economic and social recovery;
43. Recommends that once the hardest moment of the financial crisis has passed, the programme countries should, together with the EU institutions, put in place job recovery plans to restore their economies sufficiently to recover the social situation of the pre-programme period, since this is necessary if their macroeconomic adjustment is to be consolidated and the imbalances of their public sectors, such as the debt and the deficit, to be equilibrated; stresses that job recovery plans must be put in place that take into account:
 - the need quickly to repair the credit system, notably for SMEs,
 - the need to create favourable conditions for companies, so as to allow them to develop their activities in the long-term and in a sustainable manner, and to promote SMEs in particular as they play a central role in job creation,
 - optimum use of the opportunities offered by the EU structural funds, especially the

ESF,

- a real employment policy with active labour market policies,
- quality and European public employment services, an upward wage policy,
- a European youth employment guarantee,
- the need to ensure a fair distributional impact, and
- a programme for jobless households and finally a more careful fiscal management;

44. Calls on the Commission to present a report on the progress made towards the Europa 2020 targets, with specific attention to the lack of progress in programme countries, and to come forward with proposals to put these countries on a credible path towards all Europa 2020 targets;
45. Recommends that future Member States' labour reforms take into account the flexicurity criteria for boosting companies' competitiveness spelled out in the Europa 2020 Strategy, taking into account other elements such as energy costs, unfair competition, social dumping, a fair and efficient financial system, fiscal policies in favour of growth and employment, and, in general, everything which helps the real economy and entrepreneurship to develop; calls on the Commission to carry out social impact assessments prior to imposing major reforms in the programme countries and to consider the spill-over effects of these measures, such as the effect on poverty, social exclusion, crime rates and xenophobia;
46. Calls for urgent measures to prevent the increase of homelessness in programme countries, and calls on the Commission to support this through policy analysis and the promotion of good practices;
47. Notes that according to Article 19 of Regulation (EU) No 472/2013 the Commission shall issue a report to Parliament before 1 January 2014 on the application of this regulation; calls on the Commission to present this report without delay and to include the implications of this regulation for the economic adjustment programmes in place;
48. Invites the Commission and the Member States to consult with civil society, patient organisations and professional bodies for future measures related to health in adjustment programmes, and to make use of the Social Protection Committee, so as to ensure that the reforms increase the efficiency of the systems and the resources without endangering the most vulnerable groups and the most important social protection, including the acquisition and the use of medicines, the most basic needs and the consideration of the health staff;
49. Instructs its President to forward this resolution to the Council and the Commission.

EXPLANATORY STATEMENT

I. Introduction

On 21 November 2013, the Committee on Economic and Monetary Affairs (ECON) was authorised to draw up an inquiry report on the role and operations of the Troika (ECB, Commission and IMF) in the four countries which have undergone economic adjustment programmes: Greece, Ireland, Portugal and Cyprus. The Committee on Employment and Social Affairs (EMPL) immediately responded with a request for authorisation to submit an opinion to the ECON Committee on the social and employment impact of these programmes, with exclusive competence under Rule 50 of the Rules of Procedure of the European Parliament.

In view of the difficulty in reaching agreement on the matter with the committee responsible, EMPL Committee asked the Conference of Presidents for authorisation to draw up its own inquiry report. On 24 January 2014, the latter authorised EMPL Committee to draw up an own-initiative report pursuant to Rule 48 on the same subject, to be dealt with in parallel with the report by ECON Committee. Our report thus aims to restrict its investigation to those countries which have been fully intervened (Greece, Ireland, Portugal and Cyprus), examine only social and employment matters, leaving macroeconomic and institutional issues to the ECON Committee, and follow the calendar set by ECON so that the reports can be dealt with together in plenary.

The rapporteur's two main objectives have been to strictly confine analysis to the economic and social situation in these countries, before and after the adjustment programmes, and to consider the problems and solutions in a transversal manner, to avoid any entanglement in national debates.

The data used in the report come essentially from the following sources:

- Two reports drawn up by the Library of the European Parliament on:
 - Social dimension of austerity measures: the cases of four EU countries in receipt of financial assistance
 - Austerity, labour market and international treaties: the cases of four EU countries in receipt of financial assistance
- Four national studies:
 - 'An evaluation of the social and employment aspects and challenges in Greece' by Dimistris Karantinos of the National Centre for Social Research (EKKE)

- ‘An evaluation of the social and employment aspects and challenges in Ireland’ by Maarten Gerard and Jean François Romanville of IDEA Consult
 - ‘An evaluation of the social and employment aspects and challenges in Portugal’ by Ana Claudia Valente and Paulo Marques of the University of Lisbon
 - ‘An evaluation of the social and employment aspects and challenges in Cyprus’ by Panos Pashardes
- A public hearing in the Committee on Employment and Social Affairs, held on 9 January 2014, on the social and employment aspects of the role and operations of the Troika with regard to euro area programme countries, with the participation of:
 - José Silva Peneda, President of the Economic and Social Council of Portugal
 - Raymond Torres, Director of the Institute of Labour Studies at the ILO
 - Petros Stangos, Vice-President of the Council of Europe’s Committee of Social Rights
 - Thorsten Schulten, Head of Unit for Labour and Wage Policy at the German Institute for Economic and Social Research
 - A joint public hearing with ECON Committee, held on 27 January 2014 with social agents to discuss the role and operations of the Troika with regard to euro area programme countries, with the participation of:
 - James Watson, Chief Economist at Business Europe
 - Veronica Nilsson, Confederal Secretary at the European Trade Union Confederation
 - Information provided by post, email and an open discussion group on LinkedIn, in which trade unions, nongovernmental organisations and the general public took part in an open debate.

II. Objectives

The report comprises three clearly-defined sections: an analysis or diagnosis of the situation, consideration of the legal obligations breached and a series of recommendations for the future.

The frame of reference for the analysis was to assess progress or retreat in achieving the EU 2020 Strategy objectives proposed by the Commission on 3 March 2010 and formally adopted by the Council on 17 June 2010. Three of these objectives relate to social and employment issues:

- that 75% of those aged 20-64 should be in employment
- to reduce by 20 million the number of people at risk of poverty and social exclusion
- in education, to reduce school drop-out rates to below 10% and ensure that at least 40% of those aged between 30 and 34 have completed tertiary education.

The second chapter of analysis looks at the way in which the programmes have affected the commitments and obligations taken on by the EU and its Member States in relation to

international bodies and, very importantly, with regard to the Council of Europe's 1961 European Social Charter and the International Labour Organisation's International Conventions.

Lastly, a third chapter looks at lessons for the future and to be learned from past mistakes and calls for mechanisms to be created to enable the EU to find a swifter, more efficient and European response to these types of problems.

III. Diagnosis

The economic and financial crisis has extensively impacted fiscal balances and the public and private debt in some EU Member States and gave rise to calls for assistance from Greece (in May 2010 and March 2012), Ireland (from December 2010 to December 2013), Portugal (May 2011) and Cyprus (June 2013).

The economic adjustment programmes are accompanied by requirements which have had a direct and indirect impact on employment levels and in social domains. The formula applied has involved drastic cutbacks in social spending and internal devaluation through wage cuts and freezes, decentralisation of collective bargaining and increased flexibility of labour markets.

The proclaimed **expectations** were that reducing the deficit would stimulate business investment, improve competitiveness and productivity and put an end to the duality of the labour market. It was believed that employment would suffer in the short term, but would bounce back in the medium and long-term.

However, available data show that, although the deficit is more contained in macroeconomic terms, debt has increased exponentially and the hoped-for fiscal adjustments have not taken place because of the sharp drop in fiscal revenue resulting from the contraction in the economy and in activity and demand.

In labour terms, jobs are scarcer and the conditions worse: temporary and part-time work and lower wages. In recent months there has been a slight improvement in unemployment statistics, which can be explained by involuntary migration, forced retirement and the number of people who have stopped actively looking for employment. In any case, the upturn is tiny when compared with the number of jobs which have been destroyed.

In social terms, poverty and the risk of social exclusion have increased, as have in-work poverty, the legal and political conflict between the measures applied and Member States' international commitments with the ILO and the Council of Europe, and the serious threat to the social pact and the welfare state model.

A more detailed analysis of the data (see Annex I) shows the following:

(a) Employment

The adjustment programmes and the economic crisis have led to increased levels of unemployment and job destruction. This situation, combined with public and private sector

cutbacks and a lack of effective action to curb tax evasion, is damaging the sustainability and coverage of public social protection systems as a result of the sudden drop in funding for social security.

It is also noticeable in all four countries that the most vulnerable groups in the labour market are those which are suffering most: young people, the long-term unemployed, women, immigrants and persons with disabilities. Over time, these social divergences will cause structural damage in the national labour markets, particularly in the case of young people, leading to involuntary migration, deteriorating social and labour rights, increased 'brain drain' and duality in the European labour market, with some countries generating employment while others provide a low-cost workforce.

Finally, there is the added worry of the declining quality of employment as it becomes more precarious, and the deterioration in basic social standards, which has led to an increase in involuntary part-time and temporary contracts and in 'false' self-employment and the growth of activities linked to the submerged economy.

The report also points out that worsening conditions for small and medium-sized enterprises (SMEs) and their destruction are one of the main causes of job losses and one of the biggest threats to economic recovery. It also highlights the increasing wage gap between men and women.

(b) Poverty and social exclusion

Among the conditions for requesting financial assistance, the programmes included recommendations for specific cuts in actual social spending in fundamental areas such as pensions, primary social services, healthcare and, in some cases, pharmaceutical products, as well as on protection for the most vulnerable sectors of society, particularly child poverty prevention, rather than allowing national governments the flexibility to choose the areas of public spending where savings should be made.

These restrictions have given rise to new forms of poverty, which directly affect the lower and middle classes, such as in-work poverty and energy poverty. The dramatic decrease in public and private investment and failure to invest in R&D are also giving rise to structural problems which will exacerbate poverty in the long term.

The report also raises concerns about:

- cutbacks in access to healthcare and medicines, which infringe Article 168(7) TFEU and involve increased co-payment, higher prices for medicines and wage and staff reductions in health centres;
- increasing difficulty in accessing housing or meeting mortgage payments and a rise in the numbers of homeless people;
- cutbacks in pension systems, including minimum pensions, which have in some cases been criticised by the ILO and the Council of Europe.

(c) Education and failure at school

In this area, the report welcomes the reduction in school drop-out rates and the increased level of enrolment in tertiary education, although both of these can be explained by the difficulties encountered by young people when looking for work.

It should also be noted that this statistical upturn has not been matched by any improvement in educational services, which have on the contrary been hard-hit by the cutbacks.

(d) Social dialogue

Social dialogue has perhaps been the principal victim of the programmes. The report stresses that social agents at national level have been neither consulted nor included in the process of designing the programmes and, furthermore, that their autonomy has been undermined through the automatic renewal of collective agreements, revision of sectoral agreements and the introduction of laws freezing or reducing minimum wages established in collective bargaining agreements.

It is also pointed out that this situation results from the belief that competitiveness can only be increased through deregulation and greater flexibility, leaving out the security aspect of the 'flexicurity' concept.

(e) The EU's internal and international legal obligations

The report recalls that the EU's obligations in the field of employment and social affairs have not been met, either at Community level or in terms of international commitments signed by the Member States. In particular, it notes that Article 9 of the Treaty on the Functioning of the European Union, states that 'in defining and implementing 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', The EU Charter of Fundamental Rights also lists, particularly under its Chapter IV 'Solidarity', the social rights which make up the Community acquis, such as the right to collective bargaining, fair and just working conditions and protection in the event of unjustified dismissal.

The Troika has also completely overlooked Article 151 TFEU, which establishes that measures implemented by the Union and its Member States shall be consistent with the fundamental social rights enshrined in the 1961 European Social Charter (which was signed by the four countries subject to economic adjustment programmes) and with the 1989 Community Charter of the Fundamental Social Rights of Workers and other basic ILO conventions signed by the Member States.

The report regrets that the requirements imposed as preconditions for financial assistance are endangering the EU's social objectives, since:

- the programmes have a specific duration but contain measures and cutbacks with long-term impact;
- the measures have been particularly harsh because of the short time-scale within which Member States are required to implement them. They were also carried out without any appropriate prior impact study of their distributive effect on the various social sectors;

- despite appeals from the Commission, the EU funding available was not used promptly;
- the measures were not accompanied by measures to protect the most vulnerable, which would have reduced the impact in terms of increased poverty and social exclusion.

The report deplors the fact that economic adjustment programmes were drawn up without taking into account the need for appropriate social protection and without consulting existing EU bodies responsible for matters relating to employment and social affairs, such as the Employment Committee, the Social Protection Committee, the Council of Ministers for Employment and Social Affairs (EPSCO) or the Commissioner for Employment and Social Affairs.

The report also stresses that Parliament was sidelined from all phases of the programmes, that the ECB took decisions beyond its mandate and that the Commission is required always, even in moments of economic difficulty, to act as the guardian of the Treaties, and that all these considerations were ignored. The heavy price we are paying as a result of this is social crisis and loss of faith in the European institutions.

IV. Recommendations

The ultimate goal of the report is to provide a series of recommendations to correct the current social emergency in these countries, to prevent the same errors being repeated in the future and avoid further social disasters taking place in the event of future crises and financial assistance programmes.

Out of the 14 recommendations, we wish to highlight the following:

1. The Troika and the Member States concerned are called on to **end the programmes as soon as possible** and to put in place crisis management mechanisms to improve transparency in decision-making and enable all EU institutions, including Parliament, to achieve the social goals set out in the Treaties and the European Social Charter and the ILO's Core Conventions. Failure to comply constitutes an infringement of EU primary law which needs to be corrected in order to fully restore individual and collective rights.
2. The Commission, assisted by the ILO and Council of Europe, is asked to carry out a **detailed study of the short and long-term social and employment consequences** of the programmes and their impact on the European social acquis, indicating possible corrective measures and incentives needed to improve the social and employment situation in these countries.
3. It is recommended that the Commission and the Member States consider **public health and education spending** not as a spending exposed to cuts but as an **investment in the future** and that social matters be given the same consideration as economic ones. When necessary, a Eurogroup meeting should be held to discuss social and employment issues.
4. In future labour reforms, Member States are encouraged to take into account the **flexicurity principle** and measures to boost the competitiveness of companies, **without forgetting other essential reforms** in areas such as energy costs, social dumping, unfair competition, fair and efficient financial systems and, fiscal policies which favour growth and employment.

5. Finally, since the economic, social and political problems generated cannot be resolved without the creation of quality jobs, a **social and job recovery plan** needs to be set in place, taking into account:

- a) the need to swiftly repair the credit system, notably for SMEs;
- b) the need to create favourable conditions for companies, so as to allow them to develop their activities sustainably in the long term and create jobs;
- c) optimum use of European funds, especially the ESF;
- d) development of active employment policies;
- e) promotion of quality European public employment services;
- f) creation of an adequate and truly European Youth Guarantee;
- g) the need to ensure a fair impact of all measures on all social groups;
- h) specific programmes for jobless households;
- i) specific measures for the long-term unemployed, particularly women and older people, who find it more difficult to re-enter the labour market.

ANNEX 1

Social indicators of EU2020 strategy	Greece				Portugal				Ireland				Cyprus				UE 27			
	2007	2009	2012	2013 ¹	2007	2009	2012	2013	2007	2009	2012	2013	2007	2009	2012	2013	2007	2009	2012	2013 ²
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
	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	74.4
Men	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
Youth³																				
People at risk of poverty or social exclusion (in thousands)	3064	3007	3795	-	2653	2648	2665	-	1005	1150	1319	-	195	188	234	-	11939 7	11435 3	12311 8(Esti mated)	-
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	-

¹ Data from Q2 2013

² Data from Q2 2013

³ Age group: 15-24 year olds

Other indicators	Greece				Portugal				Ireland				Cyprus				EU 27			
	2007	2009	2012	2013	2007	2009	2012	2013	2007	2009	2012	2013	2007	2009	2012	2013	2007	2009	2012	2013
Unemployment rate in % of population	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

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	13.2.2014
Result of final vote	+: 27 -: 7 0: 2
Members present for the final vote	Regina Bastos, Heinz K. Becker, Phil Bennion, Pervenche Berès, Philippe Boulland, Alejandro Cercas, Ole Christensen, Derek Roland Clark, Minodora Cliveti, Karima Delli, Sari Essayah, Richard Falbr, Marian Harkin, Nadja Hirsch, Stephen Hughes, Danuta Jazłowiecka, Jean Lambert, Patrick Le Hyaric, Verónica Lope Fontagné, Thomas Mann, Csaba Óry, Sylvana Rapti, Elisabeth Schroedter, Nicole Sinclaire, Gabriele Stauner, Jutta Steinruck
Substitute(s) present for the final vote	Claudette Abela Baldacchino, Georges Bach, Philippe De Backer, Edite Estrela, Sergio Gutiérrez Prieto, Anthea McIntyre, Gabriele Zimmer
Substitute(s) under Rule 187(2) present for the final vote	Enrique Guerrero Salom, Timothy Kirkhope, Corien Wortmann-Kool