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WHAT'S HAPPENING IN EUROPE?

Squeezing the Working Class

By VINCENT NAVARRO

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Europe is seeing some of the largest demonstrations since World War II, with labor agitation being the major trademark. The reasons for this labor unrest are easy to see. Let's look at several facts, starting with unemployment. Europe has always had lower unemployment than the United States. No longer. Since 1982, unemployment (as an average of the EU-15) has been higher in the European Union than in the United States. Actually, unemployment had already started to rise in Europe by the late 1970s, coinciding with the first steps by the EU-15 countries to construct what they later called the European Union. One consequence of forming this Union was higher unemployment, and from that time, unemployment has increased, eventually exceeding that in the United States.

Most liberal economists explain this situation as resulting from greater rigidity in the European labor market compared with the United States. But, if this explanation were right (which it is not), unemployment should have been higher in Europe than in the United States since the 1960s, when labor market "rigidity" was even higher.

Another situation upsetting European labor is the decline in labor's income as a percentage of national income since the late 1970s. Again, this has been happening since the first steps taken to construct the European Union. The percentage dropped from 68 per cent of national income in 1975 to 57 per cent in 2005 – a decline that was independent of economic cycles and occurred even as the numbers of workers increased. And, in addition, there was an increase in work intensity, with considerably increased stress at the workplace. On average, the percentage of the working population working under stressful conditions increased from 32 per cent in 1997 to 54 per cent in 2005.

In parallel with these adverse changes, public expenditures on social protections also declined. The rate of growth of public social expenditures per capita per year decreased from 9 per cent in 1990 to 4 per cent in 2004. And there was also a decline in labor and social rights. Wage substitution in case of illness, industrial accident, and unemployment declined in the majority of E.U. countries during the period 1975-2005.

This difficult situation for Europe's working class was in stark contrast to the exuberant profits for employers. From 1999 to 2006, profits increased 33.2 per cent in the EU-15 and 36.6 per cent in the eurozone. Labor costs, however, increased only 18.2 per cent.

All these and other data show that the European Union, and the way it has been constituted, is not "worker friendly." Rather, it is "employer friendly." To summarize: since the late 1970s we've seen a decline in workers' income, an increase in salary inequities, an increase in fiscal regressivity, a decrease in social benefits, and a decrease in social protections. Meanwhile, capital's income has soared. This situation is at the root of the enormous increase in social inequalities in Europe. The percentage of people in the EU-15 who think inequalities are too high has reached an unprecedented level, 78 per cent, the highest since World War II.

This, then, is the background for understanding the current social agitation in Europe. But the question we have to ask is: against what or whom is this agitation directed?

The Making of the European Union

It is quite understandable that large sectors of the working class in most E.U. countries believe that the deterioration of their standard of living is a consequence of constructing the European Union. For many years they have been told by the European establishments (such as the European Council, the European Commission, and the European Central Bank) that high unemployment is a direct result of excessive rigidity of the labor market, excessive generosity of social benefits, and excessive public expenditures. As a consequence, these E.U. establishments have pressured national governments to deregulate labor markets, restrain and reduce public expenditures, and reduce social benefits. This last measure reached an outrageous level when the European Commission even had the audacity to propose increasing the work week to 65 hours! Fortunately, this was stopped by massive worker protests.

To make matters even worse, these policies were taking place within a framework dictated by the Stability Pact, which established that national public deficits must not exceed 3 per cent of GDP, and public debt must not be larger than 60 per cent of GNP. The Pact was imposed on the European Union by the German banks as a condition for replacing the German mark with the euro. The other pillar of the European framework was the Central European Bank giving priority to control of inflation over economic stimuli and job creation.

So, this is the framework for the E.U. establishment’s policymaking, with the final objective of tilting the balance between capital and labor in capital’s favor. The reduction of salaries is presented as a condition for retaining jobs. The problem with this policy is its lack of credibility. The employers who have cut employment most dramatically are frequently the ones that reported the highest profits. In the first quarter of 2006, the largest insurance company in Europe, Allianz, reported 38.5 per cent higher profits than the previous year, 2005. At the same time, the company fired 7,500 employees.

Not surprisingly, the percentage of workers expressing open hostility to major corporations, to globalization, and to the European Union has increased dramatically, as reported by the *Financial Times* on July 23, 2007. And, country after country, in referendums on adopting the European Constitution, workers voted “no.” In France, 98 per cent of trade unionists, 67 per cent of service workers, and more than 70 per cent of manufacturing workers voted against the Constitution; in the Netherlands, 68 per cent of workers; and in Luxembourg, 69 per cent of workers. And in countries that did not have a referendum on the European Constitution, workers indicated they would have voted against it: 68 per cent in Germany, 72 per cent in Denmark, 74 per cent in Sweden, and so on.

The social agitation

None of these E.U. policies could have occurred without the active participation of the governing social democratic parties. But they have paid a political cost. One country after another has seen the defeat of these governing parties (Germany, France, Italy, and United Kingdom) or their dramatic decline (Spain and Portugal) due to abstention of their electoral base – the working class – in national elections. As a consequence, the E.U. countries today are governed by right-wing parties that have only worsened the situation by strengthening their anti-labor policies with budget cuts in welfare states and nasty austerity policies.

A response to these policies has been strikes and demonstrations throughout the European Union. France is at a boiling point, in a movement of social agitation not seen since 1968. Spain had a general strike a few weeks ago. The two major Spanish unions, the UGT (Union General de Los Trabajadores) and the Workers' Commission (las Commisiones Obreras), called for the entire country to come to a stop to protest the policies put forward by the Spanish socialist government led by President Zapatero. These policies include labor market reforms aimed at making employers' firing of workers easier, a freeze of public pensions, a 5 per cent cut in civil servants' salaries, and a proposal to delay the age of retirement from 65 to 67 years.

Predictably, most of the Spanish media (which are right-wing) and the government immediately indicated, on the evening of the day of the general strike, September 29, that the strike had been a failure. And the U.S. media just copied what the Spanish media reported, without checking into any objective (easily accessible) indicators. One such indicator: the electricity consumption that Wednesday, the day of the strike, plummeted significantly, down to levels similar to those of the previous Sunday (a nonworking day). This is the best indicator that the majority of people stopped work on the day of the strike. None of this was reported in the "respectable" press in the United States.

The same poor reporting has occurred for other labor strikes in Europe. Raphael Minder and Rachel Donadio, reporting in the *Herald Tribune* (October 9, 2010), defined as a minor demonstration in Brussels what was actually the largest demonstration ever seen in that city – more than 120,000 workers from all over the European Union.

And more labor action will follow. In Italy, unions have called for a major strike in November 2010, and even in the United Kingdom, the labor union federation, the TUC, has called for major demonstrations in March and April of 2011.