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CLR News

Aging, pensions and the crisis

CLR

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Note

from the editor

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25-06-2012

A well-deserved retirement was the ideal of the generation that has built up Europe after the Second World War. Not only no more war, but also a welfare state that takes care of the citizens with fair sharing and a strong human touch. The primacy of economic and market reasoning has washed away a lot of these ideals; nowadays you have to count and calculate. The bill for the worldwide disastrous financial speculation is paid by Greek pensioners and workers, not to talk about citizens of Romania and other countries that are less in the picture but as strongly struck by the effects of the economic crisis. How to reverse this dominance?

For quite some time I have been intrigued by the right to laziness, as promoted by Paul Lafargue in his essay *The Right to be Lazy* (1883). Lafargue, a French journalist, was Karl Marx's son-in-law. He polemicized in his essay heavily against then-contemporary liberal, conservative, Christian and even socialist ideas of work:

A strange delusion possesses the working classes of the nations where capitalist civili-

zation holds its sway. This delusion drags in its train the individual and social woes which for two centuries have tortured sad humanity. This delusion is the love of work, the furious passion for work, pushed even to the exhaustion of the vital force of the individual and his progeny. Instead of opposing this mental aberration, the priests, the economists and the moralists have cast a sacred halo over work. Blind and finite men, they have wished to be wiser than their God; weak and contemptible men, they have presumed to rehabilitate what their God had cursed. I, who do not profess to be a Christian, an economist or a moralist, I appeal from their judgement to that of their God; from the preachings of their religious, economics or free thought ethics, to the frightful consequences of work in capitalist society.

This brings me to this issue of CLR-News. In the austerity agenda that should lead to growth and to more work, work, work a prominent place is given to the reform of our pension systems. Citizens in Europe are getting older, and

instead of being pleased about the positive impact of improved hygiene, health care and nutrition we are forced to see this as a problem. So no well-deserved retirement any more but according to not only the neoliberal ideologists 'we must earn our bread by the sweat of our brow' in the extra years that our welfare state has brought us. And if you have to step out that is your problem, not a societal accountability. The European Commission has recently joined the chorus with a White Paper that deposits the account with the individual. EU citizens have to work longer, and have to settle their old age insurance individually (with products on the financial market). In this issue we want to plea for the revival of the (different types of) apportionment systems. Not only because these systems diminish the individual risks, but also because systems based on solidarity belong to the heart of the welfare state. If there is to be any social Europe, than it is a Europe that is not grounded on the slogan 'every man for himself and god for us all'.

This issue is in fact an introductory and a showcase of the current pension debate. And it is a reconciliation because we have not yet reported on a study that was carried out by some colleagues in the summer of 2011. Therefore, you will find in this

issue some excerpts from the EFBWW-study on pensions in the construction industry and the EFBWW conclusions based on the study. But, before that, we have three contributions that deal with the EC's White Paper. First of all, Josef Wöss from the Austrian Labour Chamber who has criticized in the past the assumptions applied by the EC. In the following short contribution I introduce the most important notions formulated in the White Paper together with the criticism of the ETUC. And, in the third contribution, the authors of the EFBWW-study, Ernst-Ludwig Laux and Joachim Reus, have resumed their comments on the EC proposal. Although it is an extended book review we have included Jörn Janssen's contribution in the Discussion section. The radical ideas formulated by Friot gear directly in the pension debate.

In the spring issue of CLR-News we signalled the launch of a proposal for a Monti II clause. In the meantime this proposal has led to a 'yellow' card, a new procedure introduced by the Lisbon Treaty whereby the national parliaments have the power to review proposed legislation and issue a 'reasoned opinion' if they consider that a draft EU legislative act does not comply with the subsidiarity princi-

ple (Protocol No 2 of the Lisbon Treaty). If a third of national Parliaments/Parliamentary Chambers issue 'reasoned opinions' (or a quarter in the case of draft legislation concerning the area of freedom, security and justice), the issuing EU institution has to review its draft legislative act. 19 out of the total of 54 votes allocated to national Parliaments had adopted by the end of May a reasoned opinion stating that this draft act does not comply with the principle of subsidiarity. As this represents more than a third of the votes, the 'yellow card' procedure has come into effect. The European Commission must review the draft, but may decide to maintain, amend or withdraw it. We keep you posted.

Alongside of the subject articles and the discussion contribution we have the report of the recent AGM of CLR and a report of a seminar organised by the EFBWW on the practical experiences with the posting of workers in the frame of the cross-border provision of services. You will also find four reviews of books that are worthwhile reading. Enjoy the issue and come back to us if necessary or desired.

Subject articles

How to cope with demographic change? The labour market as a key determinant for the long-term sustainability of pensions systems.

Josef Wöss/Erik Türk, AK-Wien, josef.woess@akwien.at

'Raising employment levels ... is arguably the most effective strategy with which countries can prepare for population ageing' (EU-Commission, Demography Report 2008)

1. Introduction

For many years, public debate of the future of pensions has focused on the rising number of elderly people, on the increase of dependency ratios and on the resulting pressure on public budgets. However, even basic documents include misleading data and misleading arguments – mainly because no clear distinction has been made between purely demographic and economic issues (see box – *Error by mistake?*). From an economic or budgetary point of view the numerical relationship between age groups (*demographic dependency*) is not very eloquent. In this respect, it is by far more important to look at the relationship between benefit recipients and contributors (*economic dependency*).

In the Austrian Chamber of Labour a so-called dependency ratio calculator¹ was developed to illustrate

- demographic change
- dependency ratios (demographic, economic)
- the impact of labour markets on economic dependency ratios, pension expenditure, benefit levels, GDP, etc.

The tool clearly shows that mobilising existing employment potential in all age groups (within the traditional boundaries of working age) would considerably alleviate the financial burden of ageing and, thereby, support long-term sustainability and adequacy of public pension systems.

In an economic environment of austerity policies and rising unemployment it is of particular importance to emphasize

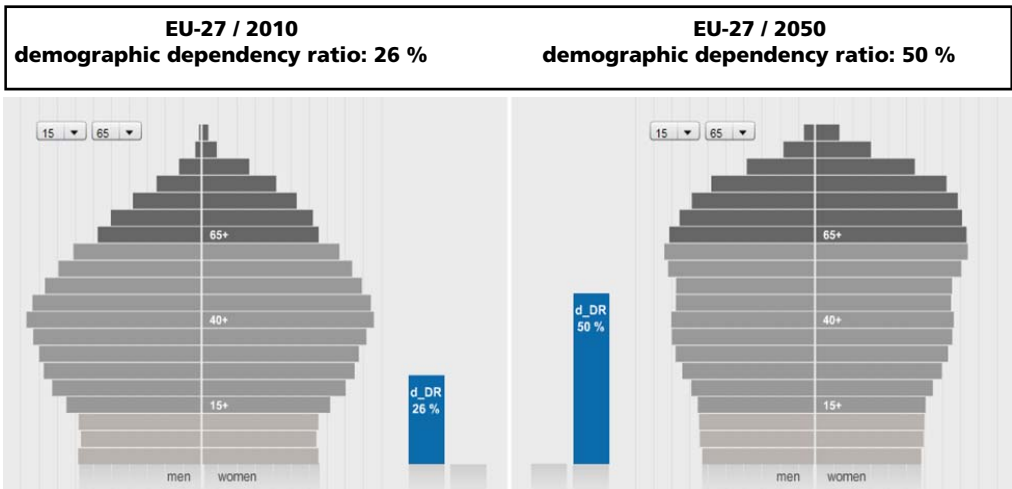
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that boosting employment, in quality jobs, not only is a key driver of economic growth, fiscal sustainability and citizens' well-being, but also the best response to population ageing.

2. Demographic Change

The ageing of populations is one of the key challenges faced throughout Europe. Demographic projections show a major increase of the number of elderly people. Now, there are 87 million in the age group 65+ in EU-27. For 2050, Eurostat demographic projections allocate 150 million in this age group². For the same period (2010 – 2050), these projections show a declining number of people in the age group 15 to 64. Currently, we have about 336 million in this age bracket. In 2050 this number is expected to be 299 million.

The dependency ratio calculator allows to illustrate demographic change and to calculate demographic dependency ratios. The graph below shows the age structure of the population in EU-27 in 2010 (left) and in 2050 (right)³, structured in 5-year age brackets, the youngest at the bottom, the oldest at the top, women on the right, and men on the left.



Source: AK-Wien, Dependency Ratio Calculator (database: Eurostat/Europop 2010)

The blue bars in the middle show the demographic dependency ratios as share of people aged 65+ relative to the number of people aged 15-64⁴. This ratio is expected to nearly double over the next four decades (from 26% to 50%). It has to be noted that the European Union average does not reflect the situation in each Member State because there are widely differing current age structures and widely differing predictions of the evolution in the forthcoming decades.

Demographic Dependency Ratios (age 65+ relative to age 15-64)

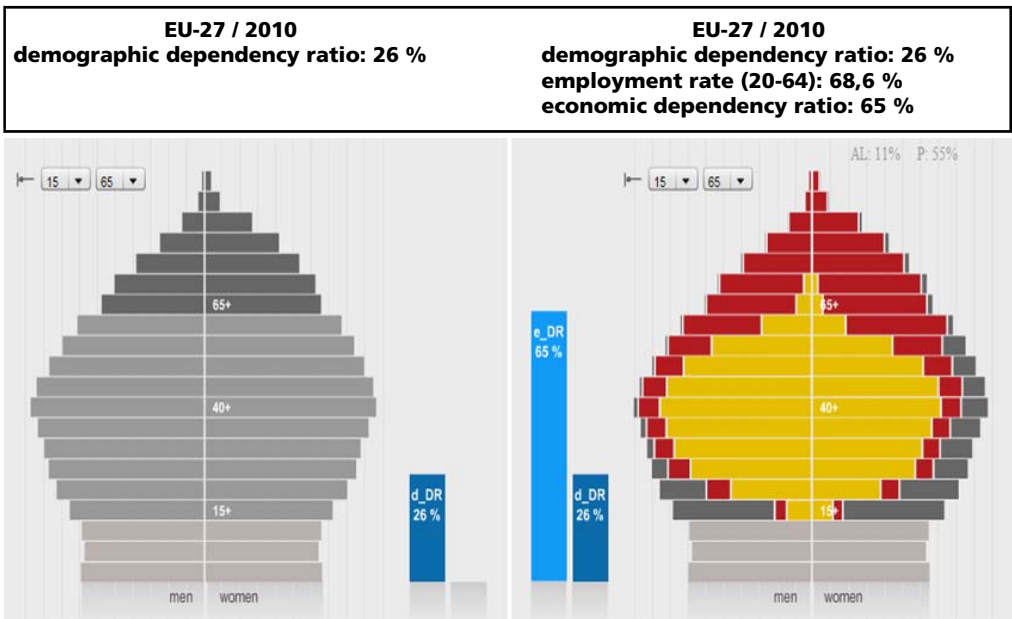
	2010	2030	2050	Change 2050/2010
Germany	31 %	47 %	58 %	+ 87 %
Sweden	28 %	37 %	42 %	+ 50 %
France	26 %	39 %	45 %	+ 73 %
Austria	26 %	39 %	49 %	+ 88 %
United Kingdom	25 %	35 %	39 %	+ 56 %
Hungary	24 %	34 %	50 %	+ 108 %
Netherlands	23 %	40 %	47 %	+ 104 %
Poland	19 %	35 %	53 %	+ 179 %
EU-27	26 %	38 %	50 %	+ 92 %

Source: Eurostat (Europop2010); own calculations

At 31 per cent, the old-age dependency ratio is currently already very high in Germany. In contrast, in Poland the ratio is only 19 per cent. The predicted evolution also varies greatly. Poland will experience the highest increase, as the Polish Eurostat-projections let expect that, by 2050, the demographic dependency ratio will nearly be three times higher as by 2010 (increase from 19% to 53%). Among the countries listed in the table, the lowest increase is predicted for Sweden and UK.

3. Economic dependency ratio ⁵

Without any doubt, the demographic dependency ratio is a very important indicator for describing the age structure and demographic change. Yet, only to look at demographic figures falls short of basic economic realities. To get a more precise picture, in the dependency ratio calculator the population beyond the age of 14 can be divided according to the economic status of the individuals.



Source: AK-Wien, Dependency Ratio Calculator (database: Eurostat - Europop 2010 / Ageing Report 2012/ Labour Force Survey 2010 / own calculations)

The picture on the right contains three categories:

- ✓ 1st category (yellow fields) - people in employment
- ✓ 2nd category (red fields) - pensioners⁶ and unemployed
- ✓ 3rd category (dark grey fields) - others (in education, housewives/-husbands, etc.).

The economic dependency ratio, which is one of the key indicators for tackling the ageing challenge, is achieved when comparing

- the number of unemployed and pensioners (the red fields) with
- the number of people in employment (the yellow fields).

The economic dependency ratio, at present, is 65 % in EU-27 (light blue bar in the graph). This means that it is 2.5 times higher than the demographic one.

Why is there such a large difference between economic and demographic dependency?

The answer is actually quite simple, mainly, because out of 335 million in the age group 15-64, more than one third or 120 million are not employed and a big share of these people are registered as unemployed or are drawing a pension. On the graph, one can clearly see, across all ages, that large sections of the population are not in employment. Many among those people are desperately looking for a job or not in employment because of

- problems to reconcile employment and family life
- work-related health problems (disability)
- informal work
- no adequate jobs for people of elder working age.

This clearly indicates that there is an enormous potential for improving the labour market integration in all age groups – and not just in higher ages, as it is often stated in the sustainability debate on public pensions. It has to be added that the Labour Force Survey data, on which the underlying employment rates in each age group are based, include many millions mini-jobs, which make no significant contribution to public budgets. If such jobs were to be eliminated from the number of employed, the yellow fields would be even smaller. Unfortunately, the Labour Force Survey data does not allow for such precise breakdowns.

White Paper on Pensions

Seen from an economic or budgetary point of view it is the economic and not the demographic dependency ratio that finally matters. It is a very positive element of the EU White Paper on Pensions, which was published in February 2012, to share this view and to emphasize the importance of the economic dependency:

'The ageing challenge is often illustrated by the doubling of the old age dependency ratio ... Yet, the real issue is the economic dependency ratio, defined as the unemployed and pensioners as a percentage of the employed.'

The White Paper in its analytical part also addresses the huge employment potential in all ages and its enormous impact on the cost of ageing:

'Many countries have considerable scope for improving the future adequacy and sustainability of their pension systems by raising employment rates, and this not just in higher age groups, but also for groups with lower employment rates such as women, migrants and youths. Reaching the EU employment target or catching up with the best-performing countries could almost neutralize the effects of population ageing on the weight of pensions in GDP.'

Unfortunately, the key recommendations in the White Paper do not reflect this analysis. Mobilising the full employment potential in all age groups is not among these recommendations.

4. Impact of labour markets on the economic dependency ratio

The crucial questions are:

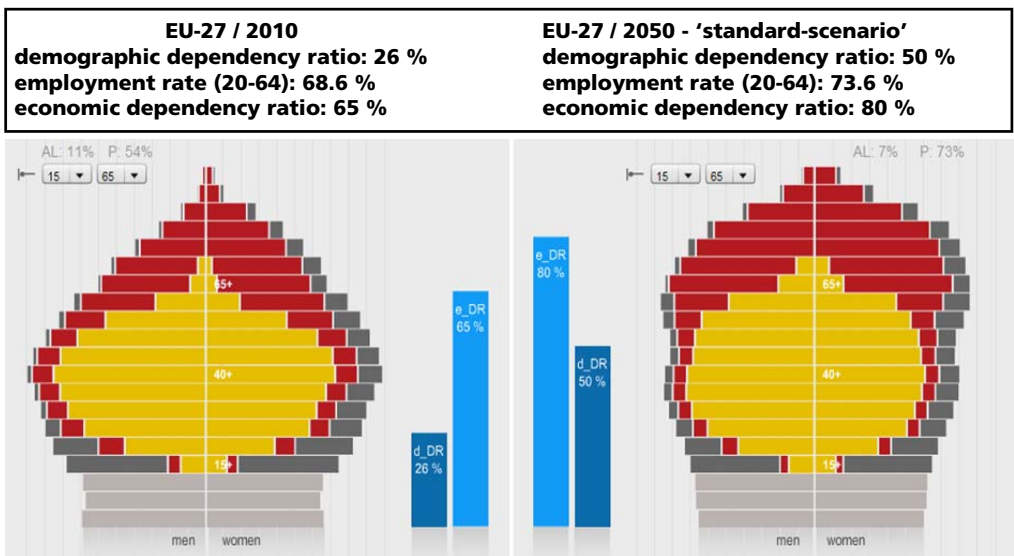
- How will the economic dependency ratio evolve in the forthcoming decades?
- By which means can we influence this evolution?

Obviously, there are several factors, which determine the development of the economic dependency ratio⁷. Naturally, the changing age structure is one of these factors. However, it is not the only one. Another key factor is the employment rate.

In simple words: the higher the employment rate, the smaller the economic dependency ratio. The dependency ratio calculator allows calculating the impact of different labour market scenarios on the economic dependency ratio. Here, this is illustrated with two different scenarios for 2050.

Standard-scenario

The graphs below show the current situation (left) and the situation in 2050 (right) in the so-called 'standard-scenario'. This scenario is mainly based on the assumptions and projections in the EU Ageing Report 2012. The main labour market assumption is that the employment rate in the age group 20-64 rises from 68.6% in 2010 to 73.6% in 2050.



Source: AK-Wien, Dependency Ratio Calculator (database: Eurostat - europop 2010/Labour Force Survey/EU-Commission Ageing Report 2012; own calculations)

Compared to the current situation, the red and the dark grey fields are somewhat smaller especially among people of higher working age. But obviously, there is still room for further improvement of the employment integration across all age

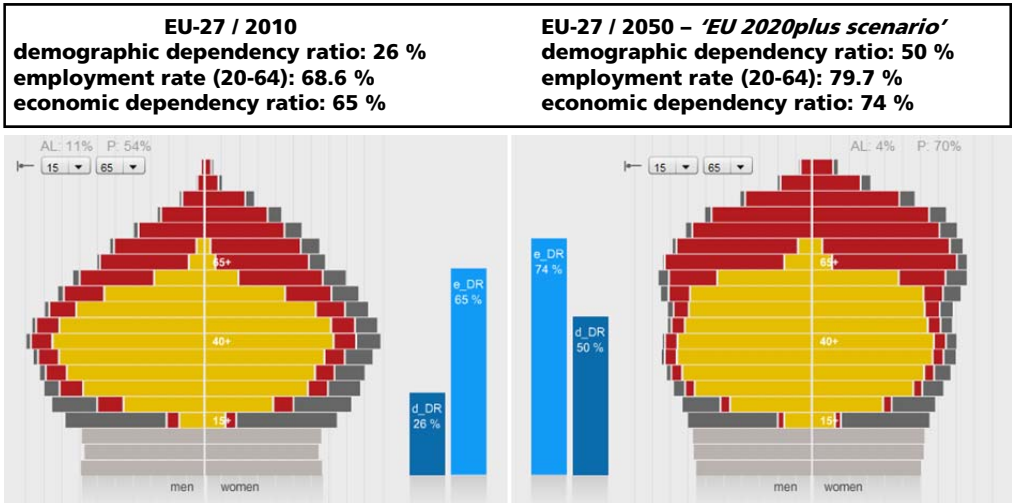
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groups. If this scenario will be realized, by 2050, the economic dependency ratio will be 80%.

It should be noted that the realization of the 'standard scenario' would mean that even by 2050 we would not achieve the employment target as stated in the EU-2020 Strategy, which sets the goal to reach 75% employment rate in the age group 20-64 by 2020.

EU 2020plus scenario

Let us now look at a less pessimistic scenario by comparing the situation in 2010 with the 'EU 2020plus scenario' for 2050.



Source: AK-Wien, *Dependency Ratio Calculator* (database: Eurostat - *Europop 2010/Labour Force Survey/EU-Commission Ageing Report 2012*; own calculations)

The main labour market assumption in the 'EU 2020plus scenario' is that by 2050 the employment level we had in 2008 in the three best performing countries (Sweden, Denmark, and the Netherlands) will be achieved in EU-27. This would mean that, by 2050, the employment rate in the age group 20-64 would be 79.7%. Considering that by 2050 the number of

people of working age is expected to be around 10% less compared to 2010 and keeping in mind the long time horizon, with targeted growth policies and a comprehensive strategy for 'more and better jobs' such an employment level definitely should be within reach.

What impact has the 'EU 2020plus scenario' on the economic dependency ratio? In this scenario, the ratio would only be 74% by 2050. Compared with the 'standard scenario', on which the long-term pension expenditure calculations in the EU Ageing Report are based, the achievement of the EU 2020plus scenario would spare us more than one third of the estimated cost rise resulting from the increase of the economic dependency ratio. A subsequent step could be to ask to what extent an increase in the economic dependency ratio translates into transfer payments. Productivity growth and the evolution of earnings (quality of jobs) and benefits (replacement level) are the relevant key determinants. The dependency ratio calculator also permits such calculations.

Conclusion

- Increasing employment rates, with quality jobs, is the best strategy with which countries can prepare for demographic change.
- Mobilising the full employment potential in all age groups would considerably alleviate the financial burden of ageing (higher revenue / lower number of benefit recipients).
- Furthermore, better labour market integration of vulnerable groups such as young persons, women, immigrants, persons with reduced work capacities, elder men and women would help significantly to achieve adequate pensions and to avoid negative fragmentation of our societies.
- Labour market goals have to be integrated in the pension debate.
- Economic dependency ratios are much more eloquent than purely demographic ratios and should be brought to the fore in long-term projections and in the public debate.

Error by mistake?

In April 2011 the British magazine 'The Economist' published a front-page story on pensions under the headline: '70 or bust! Why the retirement age must go up'.

The story was mainly based on the argument that dependency ratios will deteriorate dramatically in the coming decades. In the report this deterioration was demonstrated by figures in several charts. But there is a fundamental difference between what is written in the text and what is shown in the charts.

Text: 'The key figure is the ratio of workers to pensioners, known as the support (or dependency) ratio. This is deteriorating steadily in all rich countries (see chart).'

Charts: 'Support ratio: The number of people of working age compared with the number of people beyond retirement age.'

The fact that the ratio of workers to pensioners differs substantially from the ratio of people of working age to the number of people beyond retirement age is simply ignored.

1. For more information see: ETUI Policy Brief 4/2011, Dependency ratios and demographic change. The labour market as a key element (Josef Wöss/Erik Türk).
2. The population projections are those of Eurostat (Europop2010). The summary of the Ageing Report 2012 contains an important reference to the reliability of demographic projections: "Demographic factors are subject to less variation than economic factors over the short run, however they have exhibited much less stability over the longer term of say, 25 years" (p. 24). In spite of this warning against any excessive trust in long-term population projects, these are very often the central basis for argument about long-term financing prospects of the welfare system and they are also used – for the purposes of our discussion – in this text. Some trends of long-term population development (in particular, a huge increase in the proportion of old persons) can be predicted with considerable certainty.
3. Based on demographic projections from Eurostat (Europop2010).
4. This is the most common definition of the (old-age) demographic dependency ratio.
5. The following sections only refer to EU-27.
6. Old-age pensions, early retirement pensions, disability/invalidity pensions
7. Of course, in addition to the economic dependency ratio there are other key parameters for the sustainability of public pension systems, above all quality of jobs, productivity growth, and effective retirement age and replacement level. Nevertheless, in the light of many misleading interpretations of dependency ratios it makes sense to focus on the economic dependency ratio.

The trade union position towards the European Commission's White Paper on pensions

In February 2012 the European Commission published a White Paper on pensions called 'A strategy for adequate, safe and viable pensions' that aimed to contribute to a more European approach to tackling challenges to pension systems, in line with successive conclusions of the European Council which have called for closer economic policy co-ordination.¹ Although Member States have the primary responsibility for designing their pension systems according to their circumstances, the Treaty on the Functioning of the European Union requires the EU to support and complement the activities of the Member States on social protection (Article 153) and to take into account adequate social protection in defining and implementing its policies (Article 9). While respecting the responsibilities of the Member States the EC aims 'to gear EU policy instruments towards offering better support to pension reform efforts in the Member States.' The EC proposes a set of mutually reinforcing initiatives, ranging from legislation over financial incentives to policy coordination and monitoring progress towards shared objectives within the integrated and comprehensive Europe 2020 framework.

The ETUC welcomed the analysis developed in the White Paper regarding the impact of economic dependence on the future of pension systems. However, the European confederation of trade unions deplored the overall approach focusing on the macroeconomic aspect of pensions and ignoring their social purpose in the establishment of an inclusive society. The ETUC was especially critical about the solutions that the European Commission relied on, namely putting back the legal pension age without taking into account length of activity or difficulty of profession and enforcing subscription to private pension schemes. In this contribution a short description of the main controversies.

The increase of the legal retirement age

The European Commission focusses strongly on the need to keep older workers longer on the labour market, notably by increasing the pensionable age and linking it to gains in life expectancy. The ageing population is said to present a major challenge to pension systems in all Member States. The number of people of prime working age (20-59) will fall every year over the coming decades, whilst there will be an annual increase of around two million people aged 60+, almost twice as high as in the late 1990s and early 2000s. Unless women and men, as they live longer, also stay longer in employment and save more for their retirement, the adequacy of pensions cannot be guaranteed as the required increase in expenditure would be unsustainable. Sustainable and adequate pension systems depend on the degree to which they are underpinned by contributions, taxes and savings from people in employment. According to the EC the combination of longevity growth and of the transition into retirement of the generation of baby-boomers will have far-reaching economic and budgetary consequences in the EU, reducing the economic growth potential and exercising pressure on public finances. Reforms of pension systems and retirement practices are said to be essential for improving Europe's growth prospects.

In the analysis of the EC the ageing challenge was often illustrated by the doubling of the old age dependency ratio (population 65+ to population 15-64) from 26% in 2010 to 50% in 2050. In the White Paper the economic dependency ratio as developed by the Austrian Federal Chamber of Labour has been applied (see the article of Wöss in this issue). According to the EC many countries have considerable scope for improving the future adequacy and sustainability of their pension systems by raising employment rates, and this not just in the higher age groups, but also for groups with lower employment rates such as women, migrants and youths. This would have a direct on the economic dependency ratio, defined as the unemployed and pensioners as a percentage of the employed.

The European Commission therefore favours a policy that links the retirement age with increases in life expectancy; restricts access to early retirement schemes and other early exit pathways; supports longer working lives by providing better access to life-long learning, adapting work places to a more diverse workforce, developing employment opportunities for older workers and supporting active and healthy ageing; equalises the pensionable age between men and women.

Encouraging private pension schemes

The second building block of the EC approach is the support for the development of complementary retirement savings to enhance retirement incomes. According to the EC Member States will have to find ways of improving the cost-effectiveness, safety and equitable access to supplementary pension schemes. The solution is sought in complementary private retirement savings. Improving consumer information and protection is necessary to enhance workers' and investors' confidence in financial products for retirement savings. The White Paper talks about the need to improve the quality of financial products for individual retirement savings not linked to employment, such as third pillar schemes and other financial products used to supplement the incomes of the elderly. In addition it is necessary to adopt measures that prevent supplementary pension schemes from being obstacles to professional mobility and labour market flexibility. And finally the EC recommends the establishment of pension tracking services across the EU similar to those that already exist in some Member States. These services can provide citizens with accurate and up-to-date information about pension entitlements, as well as projections of their income after retirement from statutory and occupational pension schemes. Thus they can demonstrate the benefits of working longer and of making complementary retirement savings so as to maintain an adequate income after retirement.

Although the European Commission sees opportunities for complementary retirement savings through second-pillar col-

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lective occupational systems and third-pillar private arrangements it becomes clear in the annex that the EC is first and for all pinpointing private pension saving, including better targeting of incentives on individuals who would otherwise not build up adequate pensions. By 2013, the European Commission wants to present an initiative aimed at raising the quality of third-pillar retirement products for women and men and improving consumer information and protection standards via voluntary codes and possibly an EU certification scheme for such products, building, where appropriate, on measures to improve information for consumers planned for 2012. For occupational pension schemes (second-pillar) the Commission will develop a code of good practice, addressing issues such as better coverage of employee, the pay-out phase, risk-sharing and mitigation, cost-effectiveness and shock absorption.

The ETUC comments

In its position paper the ETUC is clearly opposed to the pushing back of the legal pension age in a vague manner without taking into account long careers, hardship of certain jobs and professions, as well as agreements signed by the social partners, in favour of early retirement. The ETUC has serious question marks with regard to the long-term demographic projections. Other indicators should be taken into account as well as the increase in life expectancy, to wit 'life in good health' expectancy at the age of retirement. According to the ETUC the White Paper does not recognise the arduous character of certain jobs and professions, which should enable the opening of a right to earlier retirement. And, although the White Paper pays lip service to the ratio of economic dependence – that is to say, the number of employed who are contributing, against the number of those who are not working – this is quickly forgotten in the rest of the analysis.

The ETUC reiterates its conviction that the best way of guaranteeing 'adequate, safe and viable' pensions is not just by developing pensions in the second, or even third pillar, but by strengthening and improving first-pillar pension regimes

(paid by the social security), based on inter- but also intra-generational solidarity. The ETUC does not take it as given that a further shift away from public provisions is necessary and calls for more solidarity in pension systems rather than favouring private and individual solutions which present a greater burden for different categories of workers and which compromise principles of solidarity. The EC proposals do not take into account the reality of 50% of workers excluded from the labour market at 55 (or earlier) – these early departures have the direct effect of curtailing the amount of pension, especially in social insurance systems. Rhetorically the ETUC poses the question what the significance is of having to work longer than the legal pension age, which workers are already not achieving when in employment, or for the youngest workers who do not have access.

Finally the ETUC reiterates that strengthening public pension systems must be achieved by active labour market policies aiming at full employment and decent salaries and by finding financial means to ensure the sustainability of public pensions at the highest possible level through taxation in particular and by tracking down tax evasion or tax loopholes which only benefit those who already have high incomes, and also by combating the 'grey' or underground economy, i.e. against undeclared work. Encouraging the development of private pensions as an answer to the guaranteeing of adequate pensions is an inadequate proposal, since it does not take into account the reality of these schemes that offer no guarantees as to the amount of future pensions. Besides, these systems are not accessible to everyone: they favour only those who have sufficiently large salaries to build up savings, which in the current context of growing austerity and increasing job insecurity is far from being the case. Therefore, preference should be given to collective systems, for example those negotiated at professional branch level or at company level, and with the involvement of trade unions who represent both future beneficiaries and retired people, especially at the level of control of management organisms but also as regards in-

vestment strategies of these organisms, on which the amount of income will depend.

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1. COM(2012) 55 final, <http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/12/108>

Ernst-Ludwig
Laux and Joa-
chim Reus

White Paper of the EU Commission on Sustainable Pensions

On 10 July 2010 the European Commission (EC) published a Green Paper 'Towards adequate, sustainable and safe European pension systems'. This has now been under discussion for one and a half years. The results have been collected in a White Paper, published on 16 February 2012 and describing pension policy in the years to come according to the concept of the Commission.

Though the White Paper explicitly emphasises the responsibility and autonomy of the member states, the EU claims to support the activities of the states to provide balanced social protection and respective regulations as well as control. It begins with a detailed account of demographic change in Europe and rising financial burdens on the states. Already now on average more than 10% of gross domestic product of EU states is spent on pensions, a percentage rising to 12.5% by 2060. As presented in exemplary form, the states have already made great efforts to reform their pension systems. These were, however, insufficient.

Given the demographic changes and the financial and economic crisis, more reforms were urgently needed. Against the background that in many states the percentage of the pension in relation to last earnings is declining and therefore pensions are not sufficient for an adequate living standard, the

introduction of an additional capital funded pension system is advocated as a matter of urgency. Furthermore, the rising percentage of pensioners is referred to. Looking at the relationship between pensioners and unemployed persons, the quota of pensioners (the population above 65 in relation to 15-64 years of age) will rise from 26% in 2010 to 50% in 2050. In order to improve this quota, the labour market has to be opened up effectively for women and older employees. This would have a direct effect on the pension situation.

The core of the White Paper is the advice of the Commission for further pension reform which is intended to provide financial consolidation and finally adequate and sustainable pensions. It suggests in particular:

- Linking the age of retirement with rising life expectancy;
- Reducing early retirement systems and other possibilities allowing for early departure from working life;
- Support for longer working life through processes of life-long learning, improving working conditions, developing alternatives for older employees, and promoting active and healthy aging processes;
- Abolish differences in the retirement age of men and women;
- Develop additional privately financed pension systems to raise pension income;
- Expand company provisions for old age and restructure the respective Directive (improving protection against insolvency and raising minimum standards);
- Supplementary old age provision to take into account the rising mobility of employees and their expectations.

The Commission intends to set up a monitoring system allowing the control of progress in pension reform in the different member states. This system is to include benchmark indicators.

The proposals made by the Commission in this White Paper have to be criticised in many ways from the point of view of

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employees and trade unions. They do not correspond with the vision for a social Europe. The main points of criticism are:

- The main focus is cost reduction. Everything is subordinated to this objective.
- A strategy to fight increasing old age poverty in European states is missing. The proposal for private provision is ineffective for low-income employees.
- Linking retirement age to life expectancy has to be rejected from a democratic point of view, because this would not be decided by parliaments but be submitted to a technocratic policy of factual constraints.
- This linking of retirement age to life expectancy is to be decided independent of the working, living, and income conditions of those concerned. There are no proposals concerning how construction workers and other people working under heavy physical strain with occupational wear and tear can obtain a sufficient pension. How can they achieve a normal retirement age, how can they avoid social deprivation? Instead, explicitly the possibilities for early retirement are to be cut down.
- As compared to other states, in Germany company pension funds are many times insured. Through the planned rise in minimum standards for company pensions, high levels of equity capital would be required for pension funds. For the funds in Germany alone about €40bn more equity would need to be raised. These demands would expel employers from company based old age provisions.

To sum up: As might be expected, pension policies in favour of employees will not be enacted by the European Union. On the contrary, people with low income, in precarious employment, with disrupted employment careers, reductions caused by illness, and premature exit from working life will be left alone whilst the interests of capital will be enforced through an emphasis on private provision.

Excerpts from the EFBWW Study “Pensions and early retirement in the construction industry”

In 2010, the EFBWW carried out a comparative study on (early) retirement pension schemes in the construction industry. The 15 national reports (14 EU countries plus Switzerland) were published on the website of the EFBWW (www.efbww.org). They describe in detail the existing pension schemes, the possibilities of early retirement and the supplementary pension schemes in the construction industry using illustrations and statistics. A prominent item in each national report was the ‘arduous’ nature of construction work, linked to the need of allowing building workers to retire earlier. In June 2011 a summary report was drafted by Ernst-Ludwig Laux and Joachim Reuss. In this contribution in CLR-News we publish several excerpts of the findings.

In their introduction the authors describe some of the main characteristics of the pension debate in Europe against the background of the economic crisis:

‘In addition to the demographic factors, the 2008 financial crisis has led to major uncertainties in pension provisions, because fully-funded financing of pensions has come under severe pressure, due to the fall in value of the underlying investments, the drop of interest rates on bonds and yields have dropped dramatically, with the result that current benefits are stagnating or falling. As a consequence, the systems of agreed supplementary pensions based on wage agreements, which are often fully-funded, were put under great pressure.’

Part 1 starts with typical features that had to be taken into account in the pension schemes that were developed:

- the difficult, arduous, physical nature of the work in some building professions;
- regular (temporary) cyclical unemployment, due to cli-

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- matological (sun/cold/rain/wind) and economic circumstances;
- the structure of the building industry which is mainly made up of small companies;
 - the high number of low and medium skilled manual workers;
 - the mobility of the workers, as building works are carried out on various locations (it does not always take place at a fixed location, as is typical for almost all other industries);
 - often dangerous and/or hazardous work, related to the way the work is organised, the working location and the use of toxins and chemicals, the time pressure and so on;
 - the increase of tricks to circumvent the payment of social contributions through bogus self-employment working relations, temporary workers, posted workers, ...
 - the high percentage of wage and social dumping practices, as well as undeclared work.

According to the authors:

'These unstable working conditions do not affect the actual monthly income of the building workers, but do influence his/her pension entitlements. The specific characteristics listed above imply that the overall wage mass of the construction industry is very variable. A pension plan for the construction industry needs to take into account the particular difficulties and restrictions. If not, the consequences could be very gruelling for a construction worker, leading him or her into the poverty trap. This explains the existence of specific tailor-made legislation or specific collective bargaining agreements applicable in the construction industry.'

Related to the first point, the arduous nature of some building professions, there is reference to various studies (in Belgium, the Netherlands, Austria, Italy, Spain, France, Germany and others) that were carried out on actual working conditions in the building industry in relation to the pensionable

age. Statistically, there is a clear trend that most building workers retire at a lower age than comparable industries. In addition to this the number of workers in incapacity at an older age (due to invalidity, sickness or physical constraints) is said to be significantly higher in the building industry.

The temporary nature and discontinuity in production and building site work lead to a situation of workers being confronted with regular periods of unemployment.

'In addition to the climatological factors, the construction is also strongly dependant on variable economic factors. As such, public building companies rely on receiving orders to build, which could depend upon the political will of the authorities - it is commonly acknowledged that more public works are commissioned during pre-election periods. Another economic dependency lies in the chain production process of a structure or building. If one element in the chain is disturbed or delayed it automatically affects the next chain.

As such, the working lives of building workers are filled with cyclical periods of unemployment. These gaps feed into the pension calculation and, if no compensatory mechanisms are in place the old-age pension levels are reduced. In many EU states these problems for individual industries are cushioned by legal provisions, but more particularly by wage agreements, so that there are no, or only minor, reductions in pension levels.'

In order to cope with this specificity various sectoral social funds have been set up and managed by the social partners. Paritarian funds often provide the sectoral framework for industry-wide provisions in the field of pensions, unemployment, holiday payment, vocational training and health and safety. Related pension provisions belong to the so-called second pillar schemes.

Another feature that has an impact is the fact that the building industry is primarily comprised of small businesses and

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craftsmen. In all countries observed, more than 90% of the building companies employ fewer than 50 employees. The industry is led by some large companies that operate Europe-wide or global and that plan, finance, build, maintain, sell and sometimes even to dismantle buildings. The actual building work on site is then carried out by subsidiaries, units and teams. And at the lower levels of this production chain, there is an increased risk of social security evasion:

'Since the social security charges in the construction industry can be relatively high, the evasion of social security is quite lucrative. Commonly used practices are bogus self-employed workers, who are not or partially insured, or the use of posted foreign workers, who are theoretically insured in their home country (but in practice are often not).'

The authors have found that there is certain communality in the approach:

'As to be expected, in almost all country reports, we have observed that the work of the social partners in general, and in particular the parties to the collective bargaining agreements in the building industry, have developed strong second pillar pension schemes. In all countries observed, the possibilities for the social partners to exert influence vary widely. In a number of EU states there are highly sophisticated collective bargaining agreements or company agreements, in which payment of contributions and subsequent benefits are regulated very precisely. Very often the parties to wage agreements also organise the entire running of the industry-wide retirement care by means of paritarian social insurance schemes or pension funds, as explained in more detail in the next section. What is noteworthy, however, is that in some countries there are no industry arrangements for the building industry at all. All these countries belong to the EU-12.'

The function of the solidarity schemes in the building industry is elaborated in a section that we take over integrally here.

'In many West European countries, as early as the middle of the last century, paritarian social insurance schemes or social funds were set up between the social partners to the respective wage agreement. The philosophy behind the industry-based arrangement was based on the fact that the vast majority of building companies were very small companies and as such solutions to certain social questions could not be organised at company level.

The basis of the paritarian social insurance schemes or funds are collective bargaining industry agreements drawn up to cover the whole country or a specific region. Often these agreements are supplemented by legislation or by governmental declarations so that they are made generally binding for all employers and workers.

The basic conditions and the payment and benefit arrangements amongst the existing funds vary widely. Usually there is a paritarian supervising administration board.

Regarding the scope and the definition of the branches, some differences have been observed. In some countries the entire building industry is looked after in one institution. In other countries there are separate paritarian social funds for specific sub-categories of the construction industry. Often these differences have arisen over time due to the different collective bargaining structures and wage policies in the individual countries and their legal background.

Regarding the methods of financing the benefits provided by the social insurance schemes, such as supplementary pensions and early retirement pensions (as well as the costs for the handling, staff and office space) vary widely by country and by benefit provided. There are essentially three options:

- employer and employee pay half each,
- employer contribution only or

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- hybrid forms with varying percentages

The general rule is that the payment of the contributions is mandatory; the collection is either done directly by the social fund or by the State and afterwards passed on to the social fund. The mandatory payment is a strong guarantee to avoid unfair competition amongst companies on the one hand and to ensure full collection of all contributions on the other. In a very few cases employees can make voluntary payments for additional benefits and pensions.

In addition, we have observed that there are major differences in the direct benefits to the employees. For more detailed information the national reports should be consulted, more information can also be found on the following website: www.paritarian-funds-construction.eu.

Due to the typical features of the construction industry, there is an absolute need to establish binding mechanisms of solidarity amongst companies and workers. As such, we could refer to the high percentage of incapacity periods, due to health problems or sickness. These workers are inactive, therefore missing contribution payments. In order to ensure that they are not victimized twice their period of incapacity needs to be assimilated to a normal working period. If not they would receive a lower pension benefit at their retirement age.'

In Central and Eastern Europe the industrial framework to build up such a sectoral system is absent. As a consequence second pillar pension scheme are almost inexistent and workers depend upon the first pillar state pensions or for those who can afford it upon individual and private supplementary pension contracts. The sustainability of the pensions of building workers in CEE countries is therefore critical.

The conditions for first pillar state pension funds have seriously deteriorated, but these schemes still remain the main source of income for current pensioners all over Europe. In

the construction industry, there is a clear need to establish supplementary pension schemes through mandatory payment of contributions. The private so-called 3rd pillar arrangements are often expensive and only something for the happy few; these schemes handle pensions as a consumer good, not as the logical outcome of a social objective. Therefore, pension schemes should be based on a mixture of first and second pillar provisions managed by financial experts liable to the schemes' participants.

The following contribution is an integral publication of the EFBWW's conclusions, as formulated in June 2011.

EFBWW conclusions - Pensions and early retirement in the construction industry (final section study)

The affiliated organisations of the EFBWW are well aware of the current and future challenges to achieving a proper pension policy for workers in the building sector. It is absolutely essential for this purpose that all policymakers map out a long-term vision, in consultation with the social partners concerned, based on realistic future projections and with a view to securing old-age provision for all older people. Securing old-age provision must be considered one of the key priorities of all member states, with the consequence that – where necessary – the required financial resources are made available for this purpose. From a sectoral angle, this old-age provision also needs to take account of the particular employment and working conditions of the workers concerned.

The EFBWW observes that the current financial and economic crisis is being exploited in some countries to push through unilateral political reforms in pension policy. In this connection, the EFBWW wants to emphasise that a sustainable pension policy is only possible if founded on a broad consensus

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among all parties. Various so-called national pension reforms only relate indirectly to "pensions", and are aimed chiefly at reducing public expenditure or the role of the public sector (in favour of the private sector).

We consider highly objectionable the reforms imposed externally by the IMF and ECB on member states requiring them to replace collective pension systems with personal pensions (as in Ireland). Furthermore, the EFBWW has ascertained that a number of national governments have sought to refinance their public debt by stealing financial resources built up in the second pension pillars (countries including Hungary and the Czech Republic).

The affiliated organisations are unanimous that no European policy measure on pensions should be able or allowed to conflict with national sovereign powers, including the setting of retirement age for workers. In this connection, the EFBWW opposes the decision by the European Council of 24/25 March 2011 which recommended "limiting early retirement schemes".

In the European debate on the future of pensions in the European building sector, the affiliated organisations recognise that the following principles must be safeguarded at all times:

1. Protection of the 1st pension pillar

The first pension pillar, which provides a general guaranteed provision for everyone in old age, needs to be addressed as a political priority in all member states. This concerns in particular providing the necessary resources to guarantee current and future pension entitlements. The State pension must ensure that everyone has a right to full and decent old-age provision. A sustainable 1st pension pillar is the first and most important buffer against poverty for the older generation. Given the increasing life expectancy and higher health costs of workers, it is crucially important that the national authorities invest continuously in a sustainable 1st pension pillar.

2. Guaranteed solidarity between all (active and in active) workers in the building sector

Every worker is entitled to a decent life after an active career. Consequently, old-age provision is something for everyone. This collective need must be met by means of broad solidarity among all workers.

The flexibility and mobility inherent to the building sector, the premature departure of older workers, the dangerous working conditions, and so on, make solidarity between active and inactive workers extremely important. In order to establish a consistent pension system in the building sector, this solidarity is a must (and not an option). Sector-specific solidarity mechanisms must be incorporated in the building pension so as to prevent today's building workers from having inadequate pensions.

The systematic shift away from DB to DC pension systems has the consequence that building workers, who are more often the victim of the inherent flexibility, unemployment or unavailability for work in this sector (over which they have no control), will end up with an inadequate pension.

In view of the fact that the 3rd pension pillar is exclusively based on a DC system, with very minimal if any solidarity criteria, this system is by no means ideal for the building sector.

3. Guaranteed benefits to lead a decent life

The endeavour to achieve a decent old-age provision means having a decent income. That concerns the total pension income of the building worker (1st and 2nd pillar). This needs to take into account the rising life expectancy of workers, growing health costs and annual increase in living expenses. Pension payments need to take account of these factors so as to prevent the purchasing power of the elderly gradually being whittled down.

4. Preventing and curbing the undermining and segmentation of "pensions"

One of the key principles for a sustainable pension policy is to ensure that all workers (and employers) participate in the system. The fact is that a sustainable pension policy calls for everyone to make an effort and is designed for everyone to participate. Segmentation of the labour market has led to large groups of the working population being excluded from the collective obligation to contribute and therefore generally also being unable to earn any pension entitlement. We are thinking here, for example, of the growing group of (bogus) self-employed, trainees, foreign workers and workers with atypical employment contracts (without pension benefits). This segmentation has led to a considerable decrease in pension contributions. It is shocking to realise that this group of workers will in the long run be confronted with exceptionally low pensions, possibly leading to poverty.

A second group of workers which is not paying any contributions concerns those employed on the illegal circuit. These workers make absolutely no contribution to the collective provision. Every national authority needs to take the necessary steps (urgently) so as to prevent, improve detection of and curb undeclared work, so that all active workers can contribute to (and benefit from) old-age provision.

5. Autonomy of the national social partners

Owing to the considerable fragmentation of employers and workers in the building sector due to the existence of multiple small and medium-sized firms and the need to ensure solidarity between active and inactive workers as well as between generations, the European and national authorities must guarantee the national autonomy of the social partners. These guarantees must exist at two levels. Every time that the national authorities intervene in the national legislative framework for pensions, the social partners must be properly consulted. What is more, the sectoral social partners must have a legislative framework within which they are free to ne-

gotiate on an even compulsory supplementary pension scheme for workers in the building sector.

6. Strengthening collective sectoral pension schemes – 2nd pension pillar and the need for autonomous paritarian supplementary pension funds

A supplementary pension scheme for all workers in the building sector is a generally recognised requirement in order to guarantee a sustainable pension. To this end, the national social partners must be free to negotiate on a supplementary pension scheme that is generally binding for all employers and workers in the building sector.

Employers and workers need to jointly hammer out a sectoral arrangement in this area which takes into account the general principles set out in this paper.

Given the many positive experiences in those countries which have paritarian supplementary pensions for workers in the building sector, the EFBWW calls on all policymakers to create the legal scope at national level for the social partners to set up and manage paritarian supplementary pension funds.

The participation of all workers and employers in these funds must be compulsory for all workers employed in the building sector.

7. Special attention for temporarily employed foreign workers

According to the current Regulation on social security 883/04, all employed and self-employed foreign nationals working temporarily are subject to the social security systems of their home country for a maximum period of 24 months. However, owing to the inadequate – or non-existent – checks on and enforcement of registration and due payment of the correct premia in the home country, for many foreign workers no pension is being built up. Checks on and effective implementation of registration and payment of premia need to be guaranteed as a priority at European and national level.

8. Express recognition of the "arduous occupations" in the building sector

A majority of building occupations involve arduous physical work. It goes without saying that first of all the necessary steps must be taken to prevent physical stresses on workers. It is a fact that years of physical demands often result in significant physical disorders which have a substantial impact on quality of life. This must be prevented.

In the light of the knowledge and experience that, firstly, these physical demands cannot be completely ruled out and, secondly, that many years of (repetitive) stresses (even with the necessary preventive measures) often result in diminished capacity among older workers, the "arduous occupation" of workers in the building sector must be expressly recognised by all policymakers at European and national level.

Alongside the necessary preventive measures, which are a priority, recognition of the "arduous occupation" must be reflected in the option of early retirement (point 9) where it has been established medically that the worker has "reduced physical capacity owing to the arduous occupation carried out". This medical statement needs to be evaluated case-by-case in a neutral and objective fashion.

9. Option of taking early retirement (before the age of 60)

The possibility of taking early retirement must always be an option for all workers in the building sector. Taking into account the real fact that heavy physical demands cannot always be avoided and based on the personal capabilities of the worker, continuing to work for longer time is not always a feasible option.

On the one hand it is necessary to recognize on a collective level in the general pension system the individual right to retire earlier for all building workers with reduced physical capacity. On the other hand, however, we have to emphasize the fact that if we want that public pension systems linked to

the average life expectation be sustainable we necessarily must have corrections which take into account the typical lower life expectations of the building workers.

So as to avoid that building workers be indirectly penalized by being paid lower pension benefits.

A reduced physical capacity is not a privilege but rather the consequence of unhealthy working conditions.

10. Older workers as a source of knowledge and experience

Increasingly, the knowledge and experience of older workers is being ignored by policymakers. The EFBWW and the affiliated organisations are striving to gain recognition for the services of older workers by continuing to use them to support younger workers. A consistent end-of-career policy must also focus on a gradual departure from the labour market for older workers and the integration of younger workers by passing on knowledge and experience.

The EFBWW and its affiliated organisations resolutely reject the idea of older workers continuing to work for longer unconditionally. This can only be done if the older worker wishes to do so and on condition that this period is regarded as a gradual departure from the active career with the aim of actively supporting younger workers.

The possibility of working longer can in no case take place when inadequate preventive measures have been applied which (physically) enable the person concerned to work for longer.

The study can be found at: <http://www.efbww.org/pdfs/32%20-%20Early%20Retirement%20Abstract%20GB.pdf>

Note from the editor: DB stands for defined benefit, DC for defined contribution. DB systems are normally based on agreements, in which payment of contributions and subsequent benefits are regulated very precisely. DC systems are purely financial and based on individual savings (like life-insurance) with uncertain benefits.

Discussion

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L'Institut Européen du Salariat, and Wage Labour Network: « ...faire la révolution. Par le salaire. »¹

This essay is about a bundle of related issues around the review of three books by Bernard Friot, including the Institut Européen du Salariat (IES) and the campaign of the 'Réseau Salariat'. Such a widening of the scope of the review of three books is virtually imperative in order to do justice to the political stakes raised by these books. They are written with the intention to contribute to the liberation and emancipation of the 'salariat' (= 'wage labour', translation J.J.).

It is, unfortunately, essential to keep in mind that wage labour in English does not mean the same as 'le salariat' in French. The main reason for this disparity of meaning stems from the different practices in wage labour relations which the languages refer to. For instance, 'The Shorter Oxford English Dictionary on Historical Principles' contains 'salariat' as an English term and explains it as follows: 'The body of people in an industry, trade, or department who receive a salary (as dist. from wage-earners)'. What is one community in France is divided into two classes in Britain. And the present defensive situation of wage labour across Europe does not seem to work in favour of a better understanding across national boundaries. Nevertheless in this essay 'le salariat' will consistently be addressed as or translated into 'wage labour' because it would contradict the political aims of IES ('European Institute of Wage Labour') and the Réseau Salariat to remain confined within the borders of the French language. Eventually, the meaning of 'wage labour' will be changing with the emancipation of wage-earners across national and linguistic borders.

The approach of the IES to understanding the development of social history past and present is unmistakably based on the assumption that ultimately only human labour has the power

to determine the course of history. Stages of development can be discerned in the first place as social relations, such as wage labour relations, in the process of production and appropriation of natural resources. The future can only be the work of labour.

On this basis, the IES was founded in 2006 as a network of researchers which 'promotes the history, observation and theory of labour contributing to the formation of a class of wage-earners' through e.g. conference cycles, internet sites, the production and publication of educational material, books etc. (see www.ies-salariat.org: 'L'IES presentation'). In fact the most important instruments of the IES are the monthly seminars and the 'notes de l'IES' (members' papers) concerning wage labour issues accessible through the website. As the books, also featuring on the website, demonstrate, the IES has become one of the most focussed, well informed and thoughtful centres of debate on present-day labour analysis and politics. Within the panorama of labour debates in Europe with its various emphases – e.g. Global Labour History of the IISH, LabNet, Labour Process Debate, Denknetz, Fafo Institute for Labour and Social Research, European Trade Union Institute, International Working Party on Labour Market Segmentation, etc. – the IES is distinct in two respects. First, it is very much confined to a francophone audience and relating to the French legal and institutional framework. Secondly, it is the most radical in advocating an alternative non-capitalist political system. It shares with Denknetz, the European Trade Union Institute and Fafo the ambition to campaign for real social change rather than being solely a forum for academic debate. It shares with Global Labour History and LabNet the profound conviction that labour is the prime agent of historical formation and history.

The three books by Bernard Friot, 'Puissances du salariat' of 1998 (PS), 'L'enjeu des retraites' of 2010 (ER), and 'L'enjeu du salaire' of 2012 (ES), all published by 'La Dispute' in Paris, epitomise the radical perspective for a new economic regime ba-

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sed on the liberation of wage labour from its degradation as 'labour force'. The most recent two volumes are the first in the series 'Travail et Salariat' of 'La Dispute' edited by Bernard Friot. It certainly contributes to a better understanding of this programme to include the older 'Puissances du salariat' (Powers of Wage Labour) as it explores the progress of wage labour from the late 19th century and in more detail the development of social security from the 1930s, not accidentally in the wake of a profound crisis of capitalism.

'Puissances du salariat' examines the qualitative transformation of the wage form from relating to labour time to covering workers' lives through the introduction of indirect wages as a percentage of direct wages: 'All labour provides an entitlement to a wage divided into two, direct wage and proportionate social contribution.' (PS, p. 280) Thus social security, instead of being an institution to help the poor, has turned into part of the collective wage and introduced 'wage labour citizenship' instead of 'liberal citizenship' (PS, p. 279). Bernard Friot further compares different forms of social security attached to wages on the one hand and to taxation on the other, on a collective or an individual basis, through pay-as-you-go funding or financialised accounts. He identifies the real breakthrough in capital-labour relations in the collective pay-as-you-go funding through a contribution ('cotisation') as a proportion of the wage introduced in the French private sector in 1947. This form of wage relation between capital and labour was a step in contradiction to the capitalist regime, which had been based on the submission of the individual wage-earner and the associated dependence on poor relief of the unemployed, sick and old people. Friot records it as 'a second revolution in the social perception of labour which relies on wage labour as the collective worker, at the same time the product and the negation of the capitalist logic.' (PS, p. 297) He shows how a new regime emerged within the fabric of the old, laying the foundations for an economy based on the 'powers of wage labour'.

'L'enjeu des retraites', *The Stake of the Pensions*, was written after the outbreak of another secular crisis of capitalism and outlines socio-economic relations definitely transcending this regime based on 'labour value' and 'profit making property' (ER, p. 35) In this book Friot discards any chance of a restoration of the capitalist economy: 'One must not hope to get out of the present crisis 'from above', if profit-making property, the investors and the return on investment are maintained.'" (ER, p. 108) Consequently he advocates an exit 'from below' through a system of wage labour relations established according to the model of the pension as an 'irrevocable wage' introducing 'labour liberated from labour value.' (ER, p. 34) The French system of pension rights from the age of 60 anticipates a future status of the wage-earner to be attributed to all citizens from the age of 18. It 'would give every person access to the common status of being entitled to a qualification and its associated wage.' (ER, p. 168) It would disband the employer and eliminate the labour market. A future status of wage labour would be differentiated according to four grades of qualifications on a wage scale with a maximum five times the minimum. Retirement, therefore, is not a change in status but a way to hand over at a defined age 'operational responsibility' to a younger generation (ER, p. 156). In the 'Conclusion' a wider perspective envisages also productive investment to be funded by a contribution (cotisation) attached to wages: 'Financial accumulation, banc credit, loan with interest, stock exchange, all these institutions can be replaced.'" (ER, p. 170) To sum up, the rationality of pensions as a component of social security in the present wage system serves as a model to project a whole new socio-economic regime.

'L'enjeu du salaire', *The Stake of the Wage*, is a further elaboration of the subject of the previous two books: 'The programme of non-capitalist wage labour.' (ES, p. 24) The second chapter presents a theory of the social formation of labour, which is perhaps best summarised in the following sentence: 'There does not exist any original form ('essence') neither of labour, nor of money, nor of the wage; these are social con-

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structs in permanent movement marked by the contradictions in social relations.’ (ES, p. 45) The present contradiction is epitomised in ‘the opposition between profit-making property and property for own consumption, between abstract labour and concrete labour.’ (ES, p. 33) This rather abstract definition is substantiated in great detail and underpins the critique of the central institutions of capitalism: ‘profit-making property, the labour market, labour value, and credit.’ (ES, p. 46) The third chapter shows how the wage components must be divided to cover the different social services. The fourth chapter, perhaps the very core of the concept for a new socio-economic regime based on wage labour, elaborates the role of ‘the personal qualification ... as a producer of economic value whatever the activity at a workplace may be.’ (ES, p. 79) It provides also the criterion for wage allocation: ‘... the claim of full employment has to be replaced by that of personal qualification and, hence, a life-long wage.’ (ES, p. 82) Wages related to qualification would abolish ‘abstract labour’ and consequently the precondition of profit-making property as the agent of the capitalist economy. In the sixth chapter Friot compares the present situation with that of the revolutionaries of the 18th and 19th centuries (ES, p. 123). Whilst the French Revolution achieved political sovereignty, this emancipation of wage labour would establish economic sovereignty of the people. The seventh chapter outlines a wage regime consisting of three departments:

- wage contribution for consumption,
- economic contribution for investment,
- social contribution for public services.

With this proposal, the third book puts forward a strategy for a transition to a new mode of production after the demise of financial capitalism and represents the key stone in this trilogy. It carries forward the history of the labour movement justifying the claim: ‘None utopia here ... All the institutions for the exit from capitalism are already in force in our today.’ (ER, p. 35)

The three books are complementary but also overlapping.

Each can be read in its own right. At the same they are all part of a manifesto outlining the essential orientation, though 'not a programme' (ES, p. 143). The latter might become the subject of a fourth volume and, of course, the result of the debate in a democratic process under the impact of the continuing crisis of capitalism.

This claim leads us to the third piece of the bundle, steps to promote the implementation of the manifesto: 'Réseau Salarial', Wage Labour Network (www.reseau-salarial.info). This network was founded in spring 2012 as an 'association for popular education' or, more precisely, to propagate and discuss the conceptual framework for a socio-economic regime based on labour as 'the unique source of economic wealth' and the abolition of 'profit-making property'. (Pour un statut politique du producteur, p. 2) Twelve events were scheduled for April in towns across France, two in Brussels and the calendar continues at the same intensity into May. The association is open to be joined by any worker who is prepared to sign up to a statement 'Pour un statut politique du producteur' (For a political status of the producer) 'which is to confirm the fact that we are the exclusive creators of economic value.' (p. 1) At the end of the statement 'the members of the Wage Labour Network invite everyone to consider the 'already there' of wage labour institutions as the concrete levers of his/her emancipation." (p. 10)

Bernard Friot, who animates both the IES and the Wage Labour Network, is neither a prophet nor a missionary, but a politically committed academic. He has carefully observed a transformation in wage labour relations since the Second World War up to about 1980 distinctly in favour of wage labour. He mobilises resistance against what he denounces as 'reforms', all the attempts of capitalist employers to reverse those achievements, which he identifies as stepping stones into a new era of wage labour after the dilapidation of financial capitalism. His relationship with the trade union movement is a typical case of critical solidarity with a positive reso-

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nance particularly in the Confédération Générale des Travailleurs (CGT). His theoretical pedigree reconciles Karl Marx with Pierre-Joseph Proudhon. The perception of contradictions in modes of production bearing their own decay is genuine historical materialism in the Marxist tradition, whereas the power of labour in the historical process of appropriation and organisation of production is more inspired by Proudhon and Syndicalism. If we judge the books in this relationship with strands of social theory and socialist movements as guides to political action, their academic merits need to be put into the context of their impact on political reality. At the time of writing this essay, the Eurozone and European Union have just been shaken by the elections in France and Greece. Nobody is able to predict the consequences of a Greek default. Four years after the Wall Street debacle, the astronomical sums of financial assets in suspense without real collateral have not (yet) been cut back and keep threatening collapse without control. What is the point of restoring growth of the same economy? Where are the laboratories for planning an alternative economy? These are scenarios and questions widely ignored in the public debate and which need to be faced. Bernard Friot confronts this reality and comes up with proposals. We ought to discuss them. As the situation is not that different outside the confines of the French language, the scope of the Wage Labour Network needs to be expanded.

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1. Bernard Friot (2012) *L'enjeu du salaire*, p. 145.

Reports

Report EFBWW workshop 'The reality of posting', 15 June 2012, Brussels

Lisa Berntsen,
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Zbigniew Janowski, vice-president of the EFBWW, chaired the meeting. During the seminar several trade union representatives from building unions all over Europe presented their experiences with the posting of workers, the fight for equal treatment and the legal and practical assistance of the involved workers.

Finland

Timo Kallio was the first to present his practical case – the Olkiluoto site in Finland. Kallio is a shop steward on site. After 2005, the inflow of posted workers started. The main nationalities on site are Finnish, Polish and German. In total up to 60 nationalities work or have worked there with more than 2,000 enterprises, from 29 different countries, active at Olkiluoto. At the moment, 3,628 people work on the site. According to Kallio, no firm is following the law and complying with collective labour agreements, all firms pay too little. Kallio has issued an award for finding a firm that does sticks to the law – no one has claimed it yet. In general it is difficult to get proper information from the companies; thus workers need to step forward with their information. This is complicated, however, because most workers are afraid. One of the worst cases concerned Bulgarian workers, who asked for help out of pure desperation. This was a group of 20 men that did not have any food and only received some small cash. The union managed to get some back pay for these workers, but not the whole amount they were entitled to. In another court case, concerning 180 workers and their wages, the unions invested a total of 3 million euros. The union has registered tens of cases of fraud. Problems are usually caused because of language problems and a lack of education. However, organising these workers proves to be difficult as workers are often just as afraid of the union as they are of other officials. Kallio has seen cases where accidents happened and workers went to the emergency post on site and were sent back home.

The Netherlands

Hanna Toby, trade union organiser on the Eemshaven site, presented this case. Toby noticed a contradiction between the Posting Directive on paper and the reality on the ground. It is not easy to derive rights in practice from the directive. The main nationalities on the Eemshaven site originate from Eastern Europe, mainly Polish and more recently Romanian workers. In total, around 15 different nationalities can be found on what is the largest building site of the Netherlands. Around 5000 workers work there and 4000 come from outside the Netherlands. According to Toby, no Central and East European (CEE) firm meets EU standards. She presented the example of Remak that is active on site since June 2011. Remak employs 600 workers, in the fitting branch. Wages are not paid according to the collective agreements that are legally binding. Also the required benefits are not paid. The union had meetings with management, but these were not successful. Neither the employer, nor the main contractor feels responsible for abidance to collective labour standards. The only option is fighting through legal proceedings, which the union is doing at the moment. There has been a case in the UK before where the same subcontractor Remak did not meet collective agreement standards. According to Toby, around 80% of the Eemshaven contracts with companies do not comply with the provisions of the collective agreements. She mentioned some of the site problems found (occurring on all European sites). Long contracting chains are present and main contractors do not feel responsible. One contractor admitted to the union that there are different rates for different nationalities. Toby noticed that posted workers are often not aware of their rights. Only when they go to the job site, they see the difference in pay. Access to information is limited due to language barriers, but also because workers are afraid to contact the union as they fear revenge from the employer (dismissal or penalties).

Toby quoted an email sent to the union by a Polish worker that was employed in the Eemshaven from 2011 till February 2012. His employer forced him to work on Sundays, or he

would get fired. Also when falling ill, he would be sent back home. He was not allowed to see a doctor, received no sick pay. The workers did not receive any money and as 21 people refused to go to work for that reason they were fired as an example, so that other workers would no longer refuse to work. The worker normally worked 10 hours a day, with a one-hour break. On Saturday he would work for six hours, without getting paid. He did not get any holiday entitlements. The worker had to pay for his accommodation. Toby further mentioned the case of Atlanco Rimec. This firm is blacklisted in many countries. The Irish union informed her that Rimec has no licence, but does have two offices and also a legal basis in Cyprus. For many workers social contributions are probably paid in Cyprus, but most workers employed by Rimec are not sure about this, even though they asked their employers for clarification on the issue. These workers also earn less than they should. Finally Toby displayed a video fragment of a dispute with the Polish employees of the Polish firm Calbud from April 2011. The case is still pending in court, but has been running for more than a year now. Toby stressed that it is important that workers get easier access to information about employment conditions. The main problem is that no one feels responsible for passing on this information.

Germany

Mihai Balan from Germany reported on a case involving Spanish workers working on a posting contract via a temp agency registered in Spain. The posting contracts however were signed in Germany. This concerned a group of 45 workers. The workers were dismissed without notice and did not receive pay for 4 months. The workers that did not leave Germany had immediately put up a banner on the site, which the employer took down several times. In Spain, the workers were promised a flat rate of €2000 per month, amounting to €4.17 per hour, which is only a quarter of the German minimum wage. The workers in the end received €2700 for 568 working hours, only 36% of the pay they were entitled to. The firm that employed these workers was not registered with SOKA-

bau, the holiday payments fund. The workers had to work more than 40 hours a week under dangerous conditions from a health and safety perspective. Sometimes workers had no safety equipment on the scaffolds; sometimes they did not even wear helmets. There were cases where workers had to buy the equipment themselves so that the subcontractor could confiscate it subsequently and sell it off in the home country. The firm had issued cheques that bounced. The workers that returned home and tried to cash the cheques warned their former colleagues about this. The employer said in his defence that the workers worked too slowly, and that they did not do the job properly. IG Bau informed the general contractor what had happened. The general contractor in turn paid €1500 humanitarian assistance and a travel refund. The church provided material assistance and neighbours lent a hand. IG Bau informed customs, but they only checked what was documented on paper. They did not talk to the workers in person and thus concluded that nothing was wrong. Some of the workers involved in this case lost their houses at home, because they were unable to pay off their loans. Also, Balan mentioned that it is not possible enter into legal proceedings if you are not a member of a union.

Norway

Kjell Skjaervo, a local trade union official from Fellesforbundet that has 2000 members working in Oslo. His union organises Eastern European workers as well. Actually 40% of their members are Polish, Lithuanian and Latvian workers. Over the last two years, they fought 200 cases mainly for Polish, Lithuanian and Latvian members. Most cases were wage claims. Skjaervo talked about a case where Lithuanian workers did not get paid. These workers worked for the Lithuanian company Svertas in Ringnes Park, a real-estate project in Oslo. The workers were sent home at a certain point and promised payment the following week. After three months, no money was received. Fifteen Lithuanian workers drove back to Oslo to become union members and filed wage claims. In September 2009, Svertas was declared bankrupt. Since the

subcontracting firm refused to pay, they tried to get money from the main contractor. In the end, the union only recovered holiday payments for the workers from the state fund. That was it. In another case, a Latvian letterbox company posted 12 building workers to Norway. The workers were registered as self-employed. Instead of pay slips, they received invoices written out by their employer. The workers went to court with a wage claim of €150.000 in total. During the appeal the court judged that the workers were employees and not self-employed workers. In general, such cases are costly and take up a lot of time. On average procedures take around 4 years. However, legislation on joint liability implemented in 2010 has changed a lot. It made union work a lot easier. According to Skjaervo "It's been like heaven" for us unions. Cases get solved much quicker. In Skjaervo's experience, employers just do what is cheapest for them – they apply the 'regime of convenience'.

Denmark

Palle Bisgaard works for the largest union 3F, representing 50% of construction workers. Around 15% of the workers in construction is foreign. They are mostly employed by small subcontracting enterprises that avoid being covered by collective agreements. In Denmark, such companies need to register with the foreign service providers' database. This is a check on legitimacy. Two thirds of the registered companies do not exist in reality. This creates social dumping vis-à-vis the Danish collective agreements. An often used strategy of employers is to make sure that workers do not talk to the main contractor or union. Most workers are unaware of Danish standards for work.

A polish worker shared his story about working for Budamex in Denmark. The worker, coming from a small town near Krakow, has 34 years of experience in the construction field in Poland, as well as abroad in several countries and currently Denmark. He has seen that a number of workers are paid as if they were unskilled workers without experience. This happen-

ed to him too. Workers earn less than the regular Danish rates and have to work more hours per week (55) than the Danish standard working week (37). Payments are made with 2/3 months delay. So, without their own resources, workers cannot work there. The employer does not pay for days of illness. The employer wants workers that do not pose difficult questions and that do not join a union. If you do join a union, you become a target, the worker explains. Amongst the workers, there is a high fear of job loss. The work on site is dangerous due to weather conditions and height (work on ladders). When workers told their boss that it was too dangerous to work when the weather conditions were bad, they were told they would not get paid. The workers all went to work. But that day an accident happened, in which the worker himself was involved. It turned out that the workers had no insurance that covered them. He was told to help himself. He was also accused of acting. According to the worker, he got these problems because he contacted the union. He is still sick now. His son, Piotr, saw the accident happening, and was sacked without reason. Any worker that contests this kind of treatment is sent away or transferred. This happens in other places in Denmark too. The worker thinks this must stop and asks parliament to stop these practices.

UK

Jeff Beck, from the GMB union, talked about the Uskmouth case. Beck shared the case of the insulation subcontractor Darmar that worked under Siemens. Workers had to work 90 hours per week, and pay slips showed different payment amounts. The firm closed down offices in the UK and fled the country. Beck traced the company to Hamburg. He wrote a letter to the company in Hamburg and received a reply saying that they were a different company than the one he encountered in the UK. The letter from the company in Hamburg was signed by Markus Kafka, the same person Beck corresponded with in the UK. Beck thus stressed the need for legislation that allows cross-border recovery of compensation.

Belgium

Aldona Kuczynska from the ACV/CSC trade union began by saying that the union has had a service for Eastern Europeans since 2007. At that time, many Polish workers came over to work; before then it was mostly Portuguese, and recently more Romanians and Bulgarians are coming. It is difficult to reach temporary (posted) workers. The workers contact the union, but only when difficulties arise. Polish workers approach the union most often. Problems that are frequently encountered are: wages not properly paid, employment conditions that are not respected, or bad working conditions. Workers are simply not informed and it is difficult to help them all. Collective agreements are legally binding and do apply to posted workers. But they are simply not respected. Skilled workers are often paid the same rates as unskilled workers. This creates unfair competition. People complain that they are kept working for companies by convincing them via advance payments. They are then promised that the rest will be paid when the contractor pays out. This can go on for months. Some workers approached employment tribunals in Poland, but firms often go bankrupt, so the claim is gone. Sometimes workers are forced to sign documents that they worked for 8 hours when they leave the construction site, though they worked 9 or 10 hours. Sometimes work is promised, but there is no work or too little. People are put in gangs and shifts, one group works one week, the other group the other. Other workers are rehired as 'bogus' self-employed and the workers themselves do not understand the consequences of this. Posted workers are generally accommodated in campsites, but sometimes also on the construction site. Often they have to pay for this. The E101 forms are sometimes forged. Many times, things appear to be fine on paper, but in practice people are exploited. In general, Kuczynska notices that the further down the chain, the more irregularities occur. The union tries to inform workers via flyers in several languages, via their website, the phone and site visits. But, these are just drops in the ocean. The union can provide legal support for the workers, but cases are difficult to prove and thus to

win. Mandatory checks should take place in both sending and receiving countries.

An ACV union delegate active in the services sector added his experiences. He sees the return of former gang masters, now taking up the form of managers of temporary work agencies. He often sees Polish residents in Belgium who are hired via a Dutch based agency and posted to the Antwerp harbour. Workers often do not receive the compulsory clothing, but do have it deducted from their salary. Polish workers become too expensive and too demanding, creating a shift in nationalities. In the beginning many workers came from former Yugoslavia; this was taken over by Eastern Germans, then Polish and Portuguese and now the Lithuanians are coming etcetera. These people are like modern nomads. The profit turnovers of companies are still rising, even in times of crisis. Legislation is neither respected nor effectively enforced. As problems do not end at the border, a cross-border control system is needed.

Latvia

Janus Guzans and his colleague Natalja Mickevika presented the case of Latvian posted workers. The most popular country among Latvians to work in is Norway. Natalia presents several cases where Latvian workers abroad got into difficulties. In 2010 in Rjukan, eight workers were fired by their employer. The employer could do so because the workers were still on probation. The Latvian minimum wage is €1.6 per hour. The Norwegian wage is €14 per hour plus a per diem rate of €40 per day. The firm became bankrupt and workers only received pay for 1 month. In 2008 a firm called Ava Bure posted workers from Latvia for €426 per month to Dusseldorf. But employees received nothing. The firm was not registered on the actual site. Employers disappeared, workers returned home without earning a dime. In 2011 one employee, was promised €1400 euro with no social guarantees and sent to Aberville in France under a 'state of urgency', so he did not receive a written contract. The union could not prove anything for the worker, since he did not have a contract.

Poland

Miroslav Ossowsky, a regional union office, explained that Poland is a big sending country of posted workers. In the Netherlands and Belgium problems often occur with agency firms. On the German market, local German intermediaries exploit posted workers. Such intermediaries tell workers that they will receive higher rates in another company and then the workers become 'bogus' self-employed. What happens next is that intermediaries declare themselves bankrupt. This has happened in Finland as well. There is no legal protection for workers anymore. Workers can hardly claim their rights. The trade union Budowlani tried to get back pay together with the Finnish union for Polish firms. There is however no formal opportunity to cooperate. Ossowsky thinks it is important that things are clarified better before the work abroad starts. First of all, the contract should be signed in the sending country before the posting. The contract should specify the obligations of both employer and employee; it should state which laws bind both parties. Other issues that should be clarified in the contract prior to posting are safety rules (as construction is a dangerous sector), wages, working time, rest periods, travel arrangements, accommodation, tax issues, insurance matters, the responsibility of workers (how to dissolve contracts), what to do in a dispute, specification of the hierarchy on site (who is the foreman, supervisor), etc.

Werner Buelen (EFBWW) concluded the meeting. He asked the labour inspectors that attended the workshop whether in their opinion the practical cases described during the seminar were just cases or whether there is a common experience. The answer was clearly that this is a common experience. In general, workers are too afraid to complain and fighting legal cases is extremely complex. The fact that there are not so many cases pending in court does not correspond with the reality and the huge problem of posting. The enforcement directive should take into account practices otherwise it will only be political window dressing. With the workshop the EFBWW wanted to initiate a realistic debate about posting.

Minutes of CLR Annual General Meeting and CLR/EFBWW Seminar, Tuesday 27 March 2012

Present: Rolf Gehring (EFBWW), Ernst Ludwig Laux (CLR Germany), Hans Baumann (CLR and Swiss Trade Union, UNiA), Jan Cremers (Amsterdam Institute of Advance Studies, CLR), Jochen Reus (CLR Germany and IG Bau), Joern Janssen (CLR-GB), Linda Clarke (CLR-GB and University of Westminster), Paul Chan (University of Manchester)

Rolf Gehring opened the Annual General Meeting (AGM), and introductions were made. The AGM will be followed by a discussion on the draft directive on enforcement of the provisions applicable to the posting of workers.

1. Annual Report of Activities and Finances for 2011

Jan reported on activities undertaken in 2011. The main highlight of 2011 is the regular publication of *CLR News*. Four issues were published:

- Issue 1/2011 on "Recruitment Practices in Europe" based on a transnational study of employment issues across Europe, which culminated in a research seminar in London on 25 February 2011.
- Issue 2/2011 on "Olympic Sites", tracing a number of Olympics case studies (starting from Barcelona in 1992) and their implications on labour relations.
- Issue 3/2011 on "Thirty-year Crisis of Labour Relations", including a series of essays by contributors on the 'crisis' and labour relations.
- Issue 2/2012 on "Climate Change and Construction Labour", including various contributions discussing the implications of the 'green' agenda and employment issues.

Jan thanked contributors for their voluntary efforts in developing such an interesting set of *CLR News*, and Frank Leus for the timely production of these. Jan also noted that the issue on "Olympic Sites" has led on to further events, including a

seminar and video presentation on the London Olympics Development site in London on 30 April 2012. Jan reported that the *CLR Studies* entitled "In Search of Cheap Labour" was produced with translations of a synopsis in German and French; practical recommendations have been picked up by practitioners (labour inspectorates) and policy-makers. Linda reported that the bricklaying project has grown in profile with engagement a variety of policy-makers. Jan reiterated the success of some CLR publications as pioneering in the open source movement. Jan reported on the financial status of CLR and noted that the largest expenditure related to auditing cost of €170 (this contrasts with €230 income received on the sale of books). Jan projected that a very modest stream of income will be accrued through the sale of books and receipt of royalties' income. However, with expenditure being paid out of projects and by the participating organisations there is no need to act.

2. Proposals for Future Work

- a. A number of proposals were tabled for discussion, including: Free movement of labour: Jan has not formulated a full proposal of work on this issue due to uncertainties regarding the political response to this topical challenge. Furthermore, Nathan Lillie (University of Groningen) is leaving the Groningen University and researchers working on this topic have expressed their intention to move to AIAS, which would mean more clarity in terms of future research directions being formulated by summer 2012. Possible lines of inquiry include coordination issues in large cross-border sites and how to defend collective engagement. Jan envisions development of a research programme and possibly outcome of a *CLR Studies*.
- b. Globalisation and the transformation of labour relations: Joern Janssen introduced three proposals, all related to the transformation of employment relations. Of particular interest are the consequences of globalisation of production, transnational frameworks and agreements, and movement of labour on wage relations. Joern positioned this in the

context of current interest in global unions and shifts away from national labour markets. Jan was not convinced that global coordination of wage relations is necessarily the way forward. Joern reiterated that it was not his intention to suggest that taking a global view was a solution, but that the global coordination of wage relations could be problematised to seek a way forward out of the current crisis. Joern maintained that the existing view that the crisis has led to precarious employment relations is not adequate since this presumes that one needs to defend and protect the traditional employment relationship. Joern proposed a more forward-looking approach by exploring how the 'crisis' is a sign of an ongoing development of employment relations. Associated with this is the discussion about the efficacy of current institutional mechanisms and coordination for negotiations between the 'employer' and 'employee'; if the 'employee' is increasingly marginalised, Joern maintains that the 'employer' is also increasingly an ambiguous entity as he differentiated between layers of management and ownership. It was agreed that a conference should be organised to stimulate further development of research in this area. Linda suggested a theme of "Globalisation versus Nationalism", and noted that Elizabeth Cotton would be a useful contributor with her work on global tendencies. Joern also noted that it was crucial to have contributors who are interested and knowledgeable about the transnational challenges of coordinating wage and labour relations. Hans indicated that discussions on the strategy of Holcim, the world's largest building materials employer might shed some light on this. Holcim are celebrating their centenary and the Swiss unions have planned to host an Action Day on Workers' Rights. Hans will discuss this proposal at their general assembly on 17 April 2012. There is the possibility of running an event, with a view to produce a *CLR News* on this proposal, as well as future funding. Moreover, this proposal can be developed into an ESRC Research Seminars proposal to be submitted in November 2012.

- c. Linda introduced her proposal to develop a building labour history archive. This proposal seeks to build on her current Leverhulme-funded project on recording oral histories of building workers who worked on key projects in the 1950s and 1960s. She also noted current work in Germany collecting photographs and oral recordings from building workers who worked on projects in Germany at the end of the 1970s. There is therefore an opportunity through the History of People in Europe (HOPE) network coordinated by the Amsterdam Institute to establish a central and virtual archive by digitalising the oral histories and photograph collections. There is also scope to get further funding through the HERA initiative. It was suggested that labour histories could form a theme for a forthcoming issue for *CLR News*.
- d. Asbestos and wellbeing: Rolf discussed Jan's proposal on developing a *CLR Studies* entitled "The Long and Winding Road to an Asbestos-free Workplace". This builds on EF-BWW's involvement in the Asbestos Campaign, and political interest on the issue. There is a hearing about this in the European Parliament on 18 September 2012; Rolf suggested that it would be good to have a CLR presence at this hearing, and proposed the organisation of a two-day conference so that interested parties can come together to discuss the research and campaign on asbestos and workers' wellbeing.
- e. Construction employment and VET for climate change: Linda briefly presented this proposal, prepared together with Colin Gleeson. She linked it to efforts in setting up a sectoral skills council and sectoral qualifications framework to develop qualifications for the future. This proposed work is well positioned within current political interests in the 'green' and sustainability agenda, and addresses vocational education and training (VET) requirements for the future. Rolf noted that this aligns well with his Leonardo da Vinci project on developing qualifications for upholstery and cabinet-making, and suggested the need to engage with FIEC. Linda reported that she is putting together a network

proposal to be submitted under the auspices of the EC COST programme; the theme is on industrial relations and energy plant construction.

- f. Pensions and collective bargaining: it was suggested that one future proposal worth considering is the issue of pensions, paritarian provisions and collective bargaining. This is especially timely given the EU White Paper on pension.

3. CLR Publications

Following discussions about proposed work for the forthcoming year, a number of *CLR Studies* and *CLR News* have been suggested, including:

- *CLR Studies* on “Free Movement of Labour and Cross-border Co-ordination of Large Sites” and “The Long and Winding Road to an Asbestos-free Workplace”;
- *CLR News* 2/2012 on the impacts of industry-wide provisions, which could include aspects on pensions, VET, health and safety etc. (led by Jan);
- *CLR News* 3/2012 on exclusion (led by Linda and Paul);
- *CLR News* 4/2012 on looking ahead over the next 20 years (led by Jan);
- *CLR News* on the globalisation transformation of labour relations (led by Joern);
- *CLR News* on labour histories (led by Linda);
- *CLR News* on bargaining (led by Jan in cooperation with Elu), and;
- Possible *CLR News* on seminal articles published over the last twenty years.
- *CLR News* in German: Elu Laux, Jochen Reus and Hans Baumann will produce a *CLR News* in German, at least one edition per year, as a “best of”-edition of the last 3-4 editions in English.

4. Discussion on the “A Remedy for the Posting Abuse?”

Rolf introduced the afternoon seminar, organised by CLR and EFBWW, on the draft directive on the enforcement of provisions applicable to the posting of workers. Two speakers –

Werner Buelen from EFBWW and Jan Cremers from AIAS, University of Amsterdam – offered their perspectives on the draft provisions in order to stimulate discussion on how the trade union response should be framed. Their contributions are briefly summarised here:

Werner reiterated the origins of this directive, which stemmed from weak legislative protection afforded to temporary cross-border employment. The political intent, at least rhetorically, was to eradicate inequalities and discrimination to ensure proper enforcement of equal working conditions, and prevention of abuse, decent controls and sanctions. Werner reported that two legislative proposals have been developed, including the fundamental right to industrial action, and the enforcement directive. The enforcement directive, which is the focus of this seminar, is however not satisfactory from Werner's perspective due to three main points. Firstly, there are ambiguities surrounding the interpretation of what constitutes a posted worker. What, for example, is a worker? According to the draft, this remains problematic due to a lack of clarity in a number of areas, including how member states have freedom to decide on the definition of employment relationships (and associated disparities between e.g. regular and self-employment), difficulties in harmonising what 'temporary' really means, and the problems over what an employing 'company' is (e.g. letter-box companies). Secondly, Werner argued that the draft directive is also unclear on the provision of controls that can be exercised. Bilateral agreements, for instance, are inefficient mechanisms and the concept of 'mutual trust' is also difficult to enact across member states as a result of differences in interpretation. Werner then raised the third issue, the issue of liability. Werner stressed that abuses of posted workers tend to take place in a system of subcontracting, where layers of subcontracting simply increases the pressure to reduce labour costs. Evasion of responsibility can manifest in many ways. For instance, by restricting liability to the main subcontractor, there is still an opportunity for avoiding responsibility by setting up a letter-box com-

pany. Moreover, the test of 'due diligence' is so vague that it becomes difficult for due diligence to be enforceable.

Jan followed on from the presentation by Werner. He noted that the purpose of the draft directive was to provide more guidance and legal certainty around the issue of posting of workers. He suggested four aspects for reflection, including the content of what is being covered by the directive, compliance, transnational cooperation, and the decision-making process. He argued that one of most serious problems is the Commission's reluctance to deal with the content of the directive. The Commission is not repairing the damage caused by the ECJ that has brought back the content of only the minimum list derived from article 3.1 of the Directive and with neglect of a broader national implementation that is made possible by article 3.10. With regard to the competence who decides on what is applicable the Commission seems to leave ambiguous the competence for the mandatory requirements that member states can prescribe for all workers that pursue work on their territory. In the original Directive this was (like with the Davis Beacon Act in the USA) the competence of the host country. He observed that the draft has diluted considerations of compliance, and remains vague on how transnational cooperation can be policed. He also commented that the draft directive is inadequate in terms of decisions on compliance and sanctions can be derived.

A plenary discussion developed from the two presentations. The purpose of this discussion is to identify tension, contradictions and problematic aspects of the draft directive, as well as possible political answers and responses. Here are the key highlights:

- Hans raised a point that the provisions constitute an improvement from the preceding version in that it acknowledges the role of subcontractors. However, Werner noted that this is only restricted to practices in the construction industry and only to the direct subcontractors. This is therefore inadequate to protect against abuses that fre-

quently occur further down the long chains of subcontracting, and in sectors outside construction.

- Linda raised a point about the confusion, especially among human resource (HR) managers, of the posting of workers directive; as far as many HR practitioners in the UK are concerned, it is the rules of the host country that applies and the inclusion of consideration of rules from the country of origin is potentially problematic.
- Kjell Skjaervø from Fellesforbundet – one of the largest private sector unions in Norway – stated his union’s position of dissatisfaction with the directive. Kjell noted the main problem with the vagaries of definitions is that this is subject to interpretation and abuse. He posed the question as to who should morally bear the risk of the posting, and suggested that the various ways of defining what constituted a ‘posted worker’ simply reinforces inequalities rather than eradicate them. He suggested turning the focus on defining what a ‘posting company’ is, and identify its related responsibilities.
- Joern raised the fundamental principle of “equal pay for equal work at the same site”, and questioned the premise of a “diversity of industrial relations systems” as the point of origin for developing the draft directive.
- Nathan Lillie argued that there is no political will to rectify the problem, and that the political intent is to maintain the status quo and do nothing about the problems that are well-rehearsed in the literature.
- Linda reminded us of the origins of the directive, which was aimed at developing ideas around what a fair wage is, and that discussions on sub-contracting have been around for a long time. She suggested that one possibility is to look at the role of procurement, the responsibility of the client, and the scope for introducing a social clause within the contract.
- It was concluded that the draft directive remains unsatisfactory and that EFBWW’s immediate response is to express this formally through political channels, especially through the European Council.

Reviews

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Daniel Vaughan-Whitehead, **Work Inequalities in the crisis: evidence from Europe**. Cheltenham: Edward Elgar 2011, ISBN 978-92-2-124885-9, £50, xviii and 600 pages.

It is a sign of the times when receiving a huge ILO publication turns out to be a good thing. This is an important and useful book, providing data on the situation of inequalities in 12 European countries, with a healthy range including Estonia, Bulgaria, Germany, Hungary, Italy and the Netherlands. Although we have daily reminders of the increased inequalities across the EU, this book takes a cool headed look at the data.

More of a reference book, it provides data on a range of indicators such as wages, conflict, training and labour market policies. The chapters follow an approximate format, allowing for important similarities and differences to be clearly identified, such as Estonia and Bulgaria. Page 22 provides a useful overview of the book, explaining the editorial rationale and introducing the important case studies that are provided in each chapter. The case studies, often dense and short, give important colour and life to the data. Case studies from the Baltic States were the most useful, and enlightening, because of the existing lack of writing, providing information that I have not seen before. Additionally each chapter ends with focussed and new references, not relying on the usual suspects and succinct enough to encourage readers to follow up with their own research. As a result, each chapter is able to stand alone and provides useful teaching material for academics.

The book looks at the role of Temporary Agency Work and part-time work in acting as a buffer to employment statistics during the crisis. Although there is no comparative analysis of this theme, each chapter provides an accurate snapshot of the role of externalised employment relations on employment. Additionally there is a consistently high level of data about the decline in real wages which although not new, is up to date.

In the introduction, the book claims that the data leaves us with two paradoxes, first that in some countries the inequalities will be visible only in the future, and secondly that, in the short term, some inequalities appear to have fallen. This second paradox is particularly important, related to the increased under-reporting of Health & Safety issues, involuntary part time working particularly amongst men, and presenteeism. The argument that seems to be drawn from the chapters is that, as inequalities go up, so does the level of individual fear and reluctance to challenge them. This is reflected in each chapter by some analysis of the role of social partners, unsurprisingly implying that, where trade unions are relatively strong, the more likely it is that inequalities will be recorded.

The only real let down of the book is the lack of data about work intensity, stress and bullying in the workplace, something which was alluded to in the introductory Chapter 1. This is a massively important area of research to complete the picture of inequality in this crisis, to quantify the psychological impact on a great number of working people. However, this subject may well be a book in and of itself and does not detract from the real contribution that the book makes.

It is testimony to the last 12 months since the publication of this book that the proposals for active labour market policies in the introductory chapters seem so radical. We can only hope that the introductory comments of Guy Ryder still apply now that he has become the Secretary General of the International Labour Organisation.

Hans Baumann and Beat Ringger eds.: **Richtig Steuern (steering in the right direction): how 25 bio francs annually can be redistributed to the population through taxation**, edition 8, Zürich, 2011, ISBN 978-3-85990-169-8, 217 pp., €20.

Ernst-Ludwig
Laux, CLR-
Germany
(Translation -
Jörn Janssen)

'Richtig Steuern' is a new book published by the Swiss 'think' network. Think network regards itself as a left-wing think-

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tank and is a forum for the exchange of current issues in economic, social and labour policy. It is committed to the fundamental values of freedom, equality and solidarity and current subjects are discussed in seminars, other events and publications.

In the course of the events, participants have analysed the increase in social inequality and the tendency of 'de-solidarisation' in society. The present book is the result of a two year discussion process and advocates a change in the political orientation of taxation in Switzerland. A prime objective of the diverse contributions in this book by critical academics and active trade unionists is to present proposals for how 'money from destructively overflowing financial markets can be redirected into useful zones of society' (7).

Summarising the results, Hans Baumann (CLR board member) and Beat Ringger, editors of this book, managed to explain the whole issue of the book in a concise form. At the same time they have put together the facts that are important for a process of tax policy reorientation in Switzerland.

In this short review I would like to present some core issues of the areas investigated and to propose some ideas on how these results, now published for Switzerland, can be transferred to other European states or possibly the entire European Union. Especially given the continuing Euro crisis, I think that the proposals, aims and perspectives can serve as a support for national trade unions and parties.

Besides the summary, the book is divided into two main sections, first the analyses and secondly the new tax policy. The point of departure for the individual contributions is the view that taxes or national, and partly European tax policy respectively, determine the direction of society. The current situation as well as virtually all observations demonstrate that, especially after the financial and economic crisis of 2008, tax income has above all been used for the rescue of banks,

whereas the social aspects, justice and redistribution from top to bottom in taxation, is almost entirely neglected or has come to a standstill.

Essentially the proposals imply an increase of 5% in GDP (ca. Swiss Francs 25bn or EUR 20bn) through the taxation of the wealthy part of the population and corporations in Switzerland. The authors do not regard this demand as revolutionary as - especially in the recent 20 years - these financial volumes have been flowing in the opposite direction from bottom to top. This proposed redistribution might be used for social, sustainable and environmentally conscious policy to the effect that this might directly benefit everybody in their respective states. According to the authors, these measures are necessary in order to maintain or even noticeably improve justice in the countries and, above all, to prevent future financial crises, because the experience of the last decennium has shown that people and corporations use their income for profitable global speculation and blow up financial bubbles.

Whilst in the eighties of the past century it was assumed in Europe that the profits of today will be investments of tomorrow and jobs for the day after tomorrow – as declared in 1980 by the chancellor of the FRG Helmut Schmidt –, we observe today that current profits and above all high income turn into speculative bubbles of tomorrow and economic crises of the day after tomorrow. That is why skimming off income of the richest people by 5% of GDP is also a means for the stabilisation of the economy and the reduction of future economic crises.

However, this means as well that the present dominant neo-liberal economic theory with its strongly individualistic bias has to be forced back. At the same time, the state and the democratic communities have to be entrusted more duties to the effect that the 5% of GDP serves to finance the needs of the citizens.

The book disproves the widespread assumption that in demo-

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cratic states the majority of the population also benefits from the wealth of the few and maintains that the 'Swiss Business Model' at least benefits above all the elites.

The book contains many up-to-date statistics of the OECD and Swiss institutions which highlight the current income distribution in Switzerland and would need to be worked out also for other EU countries as a means to develop a European strategy, for instance for trade unions.

In some contributions as well as the manifesto for tax transformation the authors generally advocate a more just tax system in Switzerland and oppose tax preferences for foreigners in order to fight against favouring tax evasion and fraud, both within the country and abroad.

With this book the activists of think network have presented a basis for a more just tax policy in Europe. It is now important that the initiative of this book is transferred to other countries, taking into account, of course, respective national structures. This could lead to a reorientation and revitalisation of the tax discussion, which in the Eurozone, at least for the time being, is taking a completely wrong direction if billions of taxes raised from households are provided for the rescue of banks directly, via the European Central Bank or the various parachutes. At the same time this rescue operation is associated with drastic cuts particularly in the social security of wage earners and pensioners. As a result, socialist parties as well as trade unions are embroiled in a defensive battle without being able to raise new positions in the debate.

The theme "richtig steuern" (steering in the right direction) might be a subject for an issue of CLR-News or could be discussed in depth in a European seminar. The present book could serve as a matrix for adjusting preconditions and proposals of other European states.

Colin Crouch: **Das befremdliche Überleben des Neoliberalismus**, Suhrkamp: Berlin, 2011; Engl. original: *The Strange Non-Death of Neoliberalism*, Wiley: Cambridge 2011, 224 pp., ISBN 9780745652214, £14.99.

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The financial crisis of 2008 has stirred up many discussions about whether the neo-liberal approach in economics can lead to solid and sustainable solutions for economies in democratic societies.

Already in 2003 in English and in 2008 in a German edition Colin Crouch, scholar of the Warwick Business School, in his scientific bestseller 'Post-Democracy' warned against losses of substance in democracy. He sees his thesis confirmed beyond any doubt through the development of discussions and the decisions made and implemented since the financial as well the subsequent economic crisis up to the present so-called Euro crisis. In his new book 'The Strange Non-Death of Neo-Liberalism' of 2011 he produces many examples which underpin his thesis. Despite the appearance that neo-'liberalism' enables the free development of the economy, under closer scrutiny one recognizes immediately that the so-called 'free market economy' is being directed through deliberate activities of the large multinational corporations and, at present, banks. This is his core message. It is obvious, also, that lobbyism from the economy has been considerably on the rise and, consequently, the influence on national legislation has increased, which fundamentally contradicts neo-liberal ideology (according to Milton Friedman).

Though this has been well known for a number of years, the crises have torn deep holes in state budgets and a social imbalance is clearly observable, a change of mind let alone political change of direction at national or European levels can hardly be detected. Crouch takes this as proof of how deeply the power of large corporations and banks has penetrated the formation of the opinion of the wider public. But it also has an impact on decision making of parliaments and governments.

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Privatization keeps going on even if it concerns direct core responsibilities of the state such as education, health, old age provision, and environmental protection. Genuine competition continues to be undermined. Monopolies and oligopolies emerge or consolidate themselves and try to enforce their conditions directly or indirectly through legislation.

Colin Crouch's book analyses the present situation very well; the many examples are conclusive, important and to be recommended for actual discussion in trade unions, political parties and possibly also churches. However, concrete practical proposals are very sparse and remain at the level of generality. Sadly, this observation is transferable also to a number of other new books on this subject. At the end, the author appeals to civil society and morality concluding: 'The arguments in this book give no support to a resumed search for a state-dominated economy, but one in which there is continued, enduring tension among a quadrilateral of forces, each of which is needed to make a good society: state, market, corporation, civil society. Provided this tension is creative, it can deliver both entrepreneurial innovation and restraints on inequalities of power, though it is likely to proceed under the shadow of continued dominance by corporate wealth.'

This is a book very much worth reading because the interested trade unionist will discover many examples of lies and contradictions in neo-liberalism and develop ideas and demands in favour of dependent employees – this certainly happened to me.

In May 2012 the book has been awarded the prize 'Das politische Buch' (The Political Book) by Friedrich-Ebert-Stiftung.

Guglielmo Meardi: **Social Failures of EU Enlargement – A case of Workers Voting with their Feet.** Routledge, New York and London, 2012, 119 pp., ISBN 978-0-415-80679-4 (hbk) £90.-.

Jörn Janssen,
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Beyond its well defined subject, this book raises issues which I associate with the history of capitalism and socialism as opposites within the same regime. It should not be taken for granted that the capitalist state has much life expectancy after the demise of the socialist state. Guglielmo Meardi confirms my pessimism about the healthy dominance of global finance capital in private as well as public budgets. How does his research contribute to this issue?

The book reflects the results of eight years of research about European Union (EU) Enlargement since 2004 in ten Central and Middle European states, focussing on the implementation of EU social standards and legal regulations in employment relations and working conditions. It also takes into account the transformation in Western Europe and globally in the eight years up to the present, following its own dynamic as well as under the impact of the accession countries. This book is far too rich in detailed information to allow for more than a review of the structure and main conclusions.

An 'Introduction' summarises the main findings and relates to his most important inspiration in the structuring of this volume: Albert Hirschmann (1970) 'The Passions and the Interests'. Meardi's three Parts are entitled 'Betrayal', 'Exit', and 'Voice?' 'Part I' shows how EU law in the fields of the 'Hard Acquis' on 'health and safety, working conditions, information and consultation, and equal opportunities' failed to produce 'the qualitative changes that some had hoped.' (chapter 1, pp. 37f.) Among the 'Soft Acquis' (chapter 2), Meardi points to 'The Weakest Link: Multi-Employer Bargaining', which is in fact the very core of employer-employee relations. The most devastating judgement concerns the role of the EU in 'promoting the social dialogue in the new member states – if anything, it is

undermining it.' (chapter 3, p. 84)

'Part II' deals with the response of employees and the population to the process of economic transformation under the auspices of Enlargement. The most visible and effective response was 'Exit' – the heading of Part II. The special chapter on 'Migration' (chapter 4) is the most interesting of all, exhibiting a movement of populations to Western Europe to produce probably the greatest effect on the European economy as a whole. The economic benefit was achieved, though, 'with a maximum burden of flexibility and precarity' (p. 105) borne by the migrants. In their home countries, given the general conditions of submission under EU rule and foreign capital, 'Political Absenteeism' and passivity in labour organisation, including high rates of fluctuation at workplaces (chapter 5 and 6), are only a form of internal migration.

'Part III' explores alternative reactions and finds unions, if at all, very much confined to workplace and local levels whilst transnational co-operation has hardly come to life. The final chapter (9) tries to identify 'Other Voices' of resistance but has to admit that 'The weakness of social protest in the new member states is conspicuous ...' (p. 183).

The summary, 'Conclusion', puts Enlargement into the context of EU development as '... in the first place, a deregulatory project ...' (p. 190). In this perspective, the new member states appear to be only instrumental in dismantling social regulations as impediments to economic freedom. However, Meardi suggests that this 'disembedded (Polanyi 1944) market may not be socially sustainable in the long run.' (p. 185)

This overview may be deceptive in that it focuses on the results instead of paying tribute to the most meticulous and extensive empirical work spanning over two decades, combined with the study of almost every piece of related research carried out by other scholars as well as of theoretical work in economics and sociology touching upon labour relations. The

bibliography of almost 500 titles - in five different languages - is not only a testimony to outstanding academic work but, at the same time, a valuable tool for anybody studying related subjects. The combination of data from a huge variety of sources with case studies, conference and public debates, media, including informal information in the respective countries, provides a depth of encyclopaedic critical knowledge which is quite exceptional and, more importantly, trustworthy.

This publication is not only for specialists in European social policy, international industrial relations, and associated subjects. It is for anybody interested to rethink and examine in an exemplary field recent history and the present secular social and economic transformation. It contributes a peculiar aspect, which is almost absent in the public debate: how the crisis of the capitalist state is linked to the collapse of the socialist state. This book, well written with a high degree of passion, is a pleasure to read and a cornerstone in contemporary history.

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