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

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The European Parliament adopted by 408 votes to 135 with 63 abstentions, a resolution on Employment and social aspects of the role and operations of the Troika (ECB, Commission and IMF) with regard to euro area programme countries.

Parliament remarked on **the unprecedented economic and financial crisis** that highlighted the fragility of public finances in some Member States, and the economic adjustment programme measures adopted in response to the situation experienced by **Greece** (May 2010 and March 2012), **Ireland** (December 2010), **Portugal** (May 2011) and **Cyprus** (June 2013), have had a direct and indirect impact on employment levels and on the living conditions of many people.

Marginalisation of Parliament in the economic adjustment programmes: noting the situation of these countries and particularly the levels of unemployment amongst young people in Greece (where the rate was over 50 %), Portugal and Ireland (where it was in excess of 30 % in 2012) and Cyprus (where it was about 26.4 %) with these figures persisting five years into the crisis, Parliament deplored the fact that **Parliament had been completely marginalised in all phases of the programmes**: the preparatory phase, the development of mandates and the monitoring of the impact of the results achieved by the programmes and related measures. Even though this association with the European Parliament was not compulsory due to the lack of legal basis, the absence of the European institutions as well as that of European financial mechanisms meant that the programmes had to be improvised, leading to financial and institutional agreements **outside the community method**. Parliament noted, in the same vein, that the ECB had taken decisions that fall outside its mandate. It considered that only genuinely democratically accountable institutions should **steer the political process of designing and implementing the adjustment programmes for countries in severe financial difficulties**.

It also regretted the fact that the programmes in question were designed without sufficient means to assess their consequences using impact studies or through coordination with the Employment Committee, the Social Protection Committee, the Employment, Social Policy, Health and Consumer Affairs Council (EPSCO) or the Commissioner for Employment and Social Affairs. They regretted, too, the fact that the ILO was not consulted and that, despite the important social implications, the consultative bodies established by Treaty, in particular the European Economic and Social Committee (EESC) and the Committee of the Regions (CoR), were not consulted.

Parliament regretted that the conditionality imposed in return for the financial assistance has threatened the EU's social objectives in the Member States concerned, particularly by:

- the EU was ill-prepared and ill-equipped to deal with the problems that arose;
- the worsening of the economic and social situation was not noticed in time, because little time was allowed to implement them;

- the measures could have been accompanied by better efforts to protect vulnerable groups, such as measures to prevent high levels of poverty, deprivation and health inequalities.

Parliament went on to make a series of additional remarks that might be summarised as follows:

Employment: Parliament considered that huge divergences in the employment rates, especially in the case of the younger generation, may in the long run result in structural damage to the labour market of the four countries, limit their capacity for recovery, provoke involuntary migration that further exacerbates the effects of an ongoing brain-drain, and increase the persistent divergences between Member States supplying employment and those supplying a low-cost workforce.

Social exclusion: Parliament expressed its concern that, in the preparation and implementation of the economic adjustment plans, insufficient attention was given to the impact of economic policy on employment or to its social implications. It called on the Commission to take account of social indicators for the purpose of renegotiating the economic adjustment programmes and replacing the measures recommended for each Member State, with a view to ensuring full compliance with the EU's basic social principles and values.

Social dialogue: the resolution stressed that the social partners at national level should have been consulted or involved in the initial design of programmes. It condemned the undermining of the principle of collective representation in certain countries.

Recommendations to the Commission: noting the worsening conditions and the loss of SMEs, one of the main causes of job losses, and noting increasing poverty and social exclusion in Member States and the structural character of the crisis, Parliament asked the Commission to carry out a detailed study of the social and economic consequences of the economic and financial crisis and the adjustment programmes carried out in response to it in the four countries in order to provide a precise understanding of both the short-term and long-term effects on employment and social protection systems.

It called upon:

- the Commission to ask the ILO and the Council of Europe to draft reports on possible corrective measures and incentives needed to improve the social situation in these countries;

- the EU, taking into account the sacrifices that these countries have made, to **provide support, after the assessment and with sufficient financial resources where appropriate, for the recovery of social protection standards**, the fight against poverty reduction, the support of education services, in particular those targeting children with special needs and persons with disabilities.

Parliament called for compliance with legal obligations laid down in the Treaties, and in the Charter of Fundamental Rights, as failure to comply constitutes an infringement of EU primary law.

It called on the Troika and the Member States concerned to **end the programmes as soon as possible and to put in place crisis management mechanisms enabling all EU institutions, including Parliament, to achieve the social goals** and policies –including those relating to the individual and collective rights of those at greatest risk of social exclusion – set out in the Treaties, in European social partner agreements and in other international obligations. It called for increased transparency and political ownership in the design and implementation of the adjustment programmes.

The resolution called on the Commission and the Council to give **the same attention to social imbalances** , and to correcting them, **as to macroeconomic imbalances**, and to see to it that adjustment measures seek to ensure social justice.

It recommended that the Commission and the Member States **consider public health and education spending not as a spending exposed to cuts** but as a public investment in the future of the country.

Parliament also called on the Commission and the Council to prioritise employment creation and entrepreneurship support, and to hold a Eurogroup employment and social affairs ministers' meeting prior to euro summits.

Recovery plans: once the hardest moment of the financial crisis has passed, Parliament stated that the programme countries should, together with the EU institutions, put in place job recovery plans to restore their economies sufficiently to recover the social situation of the pre-programme period, taking into account:

- the need quickly to repair the credit system, notably for SMEs,
- the need to create favourable conditions for companies, so as to allow them to develop their activities in the long-term and in a sustainable manner, and to promote SMEs in particular as they play a central role in job creation,
- optimum use of the opportunities offered by the EU structural funds, especially the ESF,
- a real employment policy with active labour market policies,
- quality and European public employment services, an upward wage policy,
- a European youth employment guarantee,
- the need to ensure a fair distributional impact, and
- a programme for jobless households and finally a more careful fiscal management.

Also recommended were the following: (i) a report on the progress made towards the Europa 2020 targets, with specific attention to the lack of progress in programme countries; (ii) social impact assessments prior to imposing major reforms in the programme countries and to consider the spill-over effects of these measures, such as the effect on poverty, social exclusion, crime rates and xenophobia; (iii) urgent measures to prevent the increase of homelessness in programme countries; (iv) a report on the application of Regulation (EU) No 472/2013 on economic governance; (v) consultation with civil society, patient organisations and professional bodies for future measures related to health in adjustment programmes.

Lastly, Parliament recommended that future Member States' labour reforms take into account the **flexicurity criteria** for boosting companies' competitiveness, taking into account other elements such as energy costs, unfair competition, social dumping, a fair and efficient financial system, fiscal policies in favour of growth and employment, and, in general, everything which helps the real economy.