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THE IMPLEMENTATION OF LABOUR MARKET REFORMS AND THE INTENSITY OF PROTEST MOVEMENTS DURING THE ECONOMIC CRISIS: THE CASE OF PIIGS

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I. INTRODUCTION

This paper aims to analyse the effects of the Eurozone crisis on the particular economies more intensely exposed to the Eurozone crisis, namely PIIGS - Portugal, Italy, Ireland, Greece and Spain. It elaborates on the austerity measures implemented to overcome the crisis, and particularly focuses on the labour market reforms. The paper intends to discuss the instruments developed by the European Union and the national governments to make the national labour markets more efficient and competitive, and hence, to eliminate the underlying reasons of the crisis.

For this purpose, it examines the levels of financial assistance received from the European Union, euro area Member States and the International Monetary Fund. The paper questions the scope of austerity measures in these countries, and analyses the changes occurred in the labour market as a result of austerity measures. The paper also scrutinises the intensity of protest movements in PIIGS during the implementation of the labour market reforms in the post-2008 period.

The paper argues that the severity of the crisis on a specific country has been in a dialectical relationship with the timing, scope and effect of the reforms and also with the extent of the resistance movements. The paper also questions the prospects for an organised, unified and successful protest movement all over Europe. It concludes that the economic crisis has the potential to be turned into an opportunity for an organised struggle against the recovery policies and the labour market reforms, and for creating an alternative economic and political strategy.

II. FINANCIAL ASSISTANCE

Portugal

Portugal requested financial assistance from the European Union (EU), the euro area Member States and the International Monetary Fund (IMF) in April 2011.

May 2011 – The agreement on the programme was formally adopted. The Economic Adjustment Programme for Portugal includes a joint financing package of €78 billion: EU/EFSM – €26 billion, Euro area/EFSF – €26 billion, IMF – about €26 billion (http://ec.europa.eu/economy_finance/assistance_eu_ms/portugal/index_en.htm).

Objectives:
(http://ec.europa.eu/economy_finance/assistance_eu_ms/portugal/index_en.htm)

- Boost potential growth, create jobs, improve competitiveness
- Fiscal consolidation
- Financial sector strategy based on recapitalisation and deleveraging

Italy

Italy has not received financial aid in order to overcome the economic crisis from the troika, i.e. the European Union, the euro area Member States and the IMF.

Ireland

In November 2010, Ireland requested financial assistance from the European Union (EU), the euro area Member States and the International Monetary Fund (IMF).

The Economic Adjustment Programme for Ireland included €85 billion:

- EU/EFSM €22.5 billion
- Euro area Member States/EFSM €17.7 billion
- Bilateral contributions from the United Kingdom €3.8 billion
- Sweden €0.6 billion
- Denmark €0.4 billion
- IMF €22.5 billion
- Ireland (Treasury and National Pension Reserve Fund) €17.5 billion

Objectives:
(http://ec.europa.eu/economy_finance/assistance_eu_ms/portugal/index_en.htm)

- Immediate strengthening and comprehensive overhaul of the banking sector
- Fiscal adjustment
- Growth-enhancing reforms

Greece

Greece requested for an emergency loan/bailout package.

First Economic Adjustment Programme : May 2010, €110 billion

- The European Union €80 billion
- The IMF €30 billion

Second Economic Adjustment Programme : March 2012, €164.5 billion for the years 2012-2014.

Objectives:
(http://ec.europa.eu/economy_finance/assistance_eu_ms/portugal/index_en.htm)

- Restore fiscal sustainability
- Improve competitiveness of the economy
- Securing sustainable economic growth

Spain

Spain requested financial assistance in June 2012. It will receive financial assistance from the euro area Member States via the European Financial Stability Facility (EFSF) of up to €100 billion.

- December 2012 €30 billion

Objectives:
(http://ec.europa.eu/economy_finance/assistance_eu_ms/portugal/index_en.htm)

- Correct macroeconomic imbalances
- Increase the long-term resilience of the banking sector

III. AUSTERITY MEASURES

Portugal

The Memorandum of Understanding signed under strict conditionality in May 2011.

The banking sector related austerity measures are as follows: state-funded bank recapitalisation; guarantees on bank-issued debt; reduction on credit-to-deposit ratios of the largest banks (Cabral, 2013).

Moreover, the troika opted for some other policy measures: "increases in some VAT taxes; increases in property taxes; some increases in personal income taxes; increases in fees to access public services …; a reduction in personal income tax deductions; a public sector hiring freeze; and a freeze on any promotions in the public sector; … cuts to nominal wages and employment; … permanent public employee and pensioner wage cuts of 14%". In November 2012, the government has reached an agreement with the troika "for an additional cut of 'social state' expenditures worth approximately 2.4% of GDP" (Cabral, 2013). In line with the austerity measures, the military budget was being slashed; two high-speed railway projects have been postponed; and widespread privatisation was taken into agenda (http://www.bbc.co.uk/news/10162176).

Italy

The Consolidation Packages have called for "both an increase in total revenues and the reduction of high distortions enshrined in the current tax system" (Goretti and Landi, 2013). To this aim, the following measures were implemented: an ordinary VAT increase of one percentage point; an increase tax on real estate; a reform of taxation on financial instruments; higher taxes on energy companies and financial operators; strengthening of controls on tax evaders; changes in public procurement; reductions in the number of civil servants; and salary freezes (Goretti and Landi, 2013).

In December 2011, "a new set of strict measures were adopted by the new government aiming at curbing pension expenditure in the short term while improving the long-term sustainability of the system at the same time, partly by increasing the statutory retirement age and partly by reducing the amount of pension" (Goretti and Landi, 2013). By the pension system reform: the retirement age for men and women working in the public sector increased from 65 to 66; all workers were aligned to the same retirement age; eligibility requirements for early retirement was tightened (Goretti and Landi, 2013). By 2018-2019, the retirement age of all workers will be increased to 67.

In Italy, some labour market reforms were also introduced: "changes to the apprenticeship system; rationalisation and expansion of the unemployment benefit system; increased incentives to award permanent contracts; [and] reduced incentives to award fixed-term contracts (Goretti and Landi, 2013).

Several austerity measures aimed to reduce product market regulation and to promote competition: increasing competition in public transport; separating network ownership from production and supply in the gas industry; further deregulation in some professional services; further simplification of administrative procedures for businesses and individuals;

increasing the average size of judicial districts and developing specialised commercial courts; further deregulation in the retail sector (Goretti and Landi, 2013).

Ireland

15% cut in public sector wages; 25% tax increase on capital gains and capital acquisitions; social welfare cut by €760 million; child benefit reduction by €16 per month; tax increase on tobacco; reduction in public investment by €960 million; expenditure cut increase; social welfare reductions; downsizing the public sector (health, education, security and civil service); recruitment embargo in the health and education sectors; reduction in public sector employment from 320,000 to 291,000 employees (http://www.europeaninstitute.org/Special-G-20-Issue-on-Financial-Reform/austerity-measures-in-the-eu.html; Hardiman and Regan, 2013)

Greece (Monastiriotis, 2013)

2009 : fiscal tightening of some 20% of GDP, reduction in budget deficit by 9% points

2010 : 10% cut in salaried bonuses; recruitment freeze in the narrow public sector; increases in VAT rates (from 19% t0 23%) and in taxes on petrol, cigarettes and alcohol; changes in income taxes; cuts in expenditures and central government operating costs; 3% cut in wages in public utilities; limitation/cancellation of extra salaries; additional tax hikes on luxury consumption, inelastic consumption, property; additional levies on high pension earners and business profits; controls on public expenditure and investment.

Reform of the pension system: The retirement age was raised from 60 to 65 and planned to be equalised for both genders by 2015. Moreover, "the number of insurance and pension funds was to be reduced", with the aim of establishing three unified funds by 2018 (Monastiriotis, 2013). Limits were introduced to pension transferability. Several more changes were institutionalised on "the liberalisation of closed professions", "the consolidation of various public bodies and companies", and "changes in employment protection legislation" (Monastiriotis, 2013).

2011 : Tax/revenue based reform measures; privatisation programme "aiming to raise up to €50 billion by 2015.

2012 : Further labour market measures; Midterm Package (reduced the minimum wage by 22%, decentralised the wage bargaining system, abolished the life-tenure rule, cut the public sector employment by 150,000 by 2015, cut the social benefits and expenditures on health and social security).

Late 2012 onwards : further increases in taxes; further reduction in social benefits; cuts in pensions; facilitation of dismissal procedures

Spain

The Memorandum of Understanding signed for financial assistance included bank-specific conditionality:
(http://ec.europa.eu/economy_finance/assistance_eu_ms/portugal/index_en.htm)

- First, a comprehensive diagnostic as regards the capital needs of individual banks, based on a comprehensive asset quality review and valuation process, and bank-by-bank stress tests.
- Second, the segregation of impaired assets from the balance sheet of banks receiving public support and their transfer to an external Asset Management Company.
- Third, the recapitalisation and restructuring of viable banks and an orderly resolution of ultimately non-viable banks, with private sector burden-sharing as a prerequisite.

The austerity measures included: public sector workers' salary freeze; departmental budget reduction by 16.9%; income tax increase for those earning more than €175,000; civil servants' wages cut by 5%; elimination of 13,000 jobs; suspension of inflation-adjustments for pensioners; 28% increase in the tax on tobacco; 8% spending cuts; VAT increases; reduction in the corporate tax of SMEs; supplementary levy on personal income tax; fiscal regularisation; fight against tax fraud; tax on property; cuts in education and healthcare; extension of working hours for public sector employees; reduction in public investment (http://www.europeaninstitute.org/Special-G-20-Issue-on-Financial-Reform/austerity-measures-in-the-eu.html; Conde-Ruiz and Marin, 2013).

IV. LABOUR MARKET INDICATORS: unemployment, labour cost, wages, flexibility, social security/protection, labour market policy measures, poverty

The labour market reforms implemented as an integral part of austerity measures present the dimensions of the crisis in terms of job loss, income loss, changes in employment conditions, hours of work and job turnover (McDonnall and Burgess,). We do not possess a systematic or comprehensive record, but again some of the data for individual countries is attention grabbing. Unemployment in the EU is approaching 23 million, 50 percent up on 2007 (Bramble, 2011) while, as mentioned, close to 8 million jobs were lost in the US. As many governments enter a phase of fiscal austerity public services and public sector jobs and conditions are being cut and this is exacerbating labour market and living standards deterioration in such countries as the US, Greece and Ireland (Bramble, 2011).

Portugal

The austerity measures have altered the economic outlook in Portugal. General government debt increased from 93.5% of GDP in 2010 to 120.5% of GDP in 2012 (Cabral, 2013). "In the first three quarters of 2012, the budget deficit was 5.6% of GDP, above the revised target for the year approved by the troika (5%)" (Cabral, 2013). Moreover, in the first 11 months of 2012, "central administration tax revenues ran 5.8% below 2011 levels, despite widespread increases in tax rates; [and] expenditure fell 1.3%, mainly due to an 18.7% reduction in public employee wages and to a large cut in pensions, but also negatively influenced by a 13.2% increase in interest layouts" (Cabral, 2013).

In 2012, Portugal is scheduled to have "its first trade balance surplus in 69 years", which is a "stark indicator of the size of the shock the Portuguese economy is being subjected to through this EU-IMF adjustment programme" (Cabral, 2013).

The austerity measures have also strikingly changed the labour market indicators. The unemployment rate increased from 12.4% to15.8% in the period of 2011-2012. The youth (15-24) unemployment rate increased to 39%.

Italy

"Over the past decade, Italy's real GDP growth per capita has been among the weakest in the OECD, which reflects very low underlying productivity growth. The recommendations of international organisations, including the OECD, have long argued for better regulation, more competition and more flexibility in the labour market. Italy has made progress in some of these areas since the late 1990s, although in the same period its relative economic performance deteriorated. Membership in the Economic and Monetary Union and rapid globalisation increased the costs of inflexibility, the burden of which has materialised over time" (Cabral, 2013).

Hence, "the unprecedented global crisis that erupted in the US in 2008 hit slow-growing Italy particularly hard, bringing about a huge toll in terms of GDP (-5.5 per cent in 2009) and unemployment (8.4 per cent in both 2010 and 2011, 10.8 per cent in 2012, and 11.4 per cent in 2013)" (Cabral, 2013). Finally, in summer 2011, "bond market sentiment deteriorated, as fears on Italy's fiscal sustainability emerged" (Cabral, 2013).

Ireland

Unemployment increased from 6.4% in 2008 to 14% in 2010 and nearly 15% in 2012 (Hardiman and Regan, 2013). Long-term unemployment, on the other hand, increased to 60% in 2012 (Hardiman and Regan, 2013).

Ireland's economy shrank by almost 2% in the third quarter of 2011, compared with growth of 1.4% in the previous quarter (http://www.bbc.co.uk/news/10162176).

In Ireland, actual pay increase from 2009 to 2010 was -2.5% for hourly earnings.

"Most Irish private sector firms have responded to the crisis by freezing basic pay/salary at pre-crisis levels, while extra earnings have been cut. A significant minority have also cut basic pay levels … showing 56% of employers freezing pay and 25% cutting pay in 2009. A smaller minority had moderate pay increases, mostly under a national wage agreement struck in late 2008 – which most employers did not implement and was eventually abandoned at the end of 2009, ending national wage bargaining indefinitely. In the public service, pay was reduced by a progressive scale of 5–15% in December 2009 and net earnings were also hit by a levy from March 2009, also on a progressive scale of 5–10.5%" (http://www.eurofound.europa.eu/eiro/country/ireland_5.htm).

Greece

2010-2013: Pensions declined by 25%; public sector pay declined by 25%; tax rates increased by more than 20%; wages in the private sector declined by 15%. Moreover, unemployment increased from 9% in 2009 to 26% in 2012 (Monastiriotis, 2013).

"The base monthly salary agreed by the National General Collective Agreement for an employee who is single and has no children or work experience was €751.39 (gross). After the 22% cut, the new minimum monthly salary for this category of worker was €586.08. After deduction of social insurance contributions and taxes, net monthly salary was €476.35, and for those under 25, €426.64" (http://www.eurofound.europa.eu/eiro/country/greece_5.htm). "The average annual earnings in Greece were €27,336 in 2011, compared with the 15 most developed EU Member States (former EU15) average of €39,562" (http://www.eurofound.europa.eu/eiro/country/greece_5.htm).
Moreover, "according to data from the Workforce Survey of the National Statistical Service of Greece (ESYE) for 2005, the percentage of employees who usually work over 48 hours a week is 20%, which is a remarkably high percentage in a global comparison" (http://www.eurofound.europa.eu/eiro/country/greece_5.htm).

Spain

Unemployment increased to 25% - the highest rate in the EU. For young people under 25, the unemployment rate is above 50%. (http://www.bbc.co.uk/news/10162176)

In comparison to 2011, real GDP growth was -1.8% in 2012. In comparison to 2011, average labour productivity increased 2.8% in 2012. (http://www.eurofound.europa.eu/eiro/country/spain_1.htm)

The Interprofessional Minimum Wage for 2010 was €21.11 per day or €633.30 per month. For 2011 it was set at €21.38 per day or €641.40 per month. It was not increased in 2012. (http://www.eurofound.europa.eu/eiro/country/spain_5.htm)

V. LABOUR RESISTANCE: general strike, sectoral strike, number of persons attended to strikes

Portugal

On November 2011, the two trade union confederations, CGTP and UGT, organised a general strike against the revision of labour legislation (http://www.eurofound.europa.eu/eiro/country/portugal_4.htm). In March 2012, public sector workers staged another strike to protest against the austerity measures (http://www.bbc.co.uk/news/10162176).

Italy

According to Eurostat, the yearly average working days lost per 1,000 workers was 79.59 days in the period of 1999-2007 (http://www.eurofound.europa.eu/eiro/country/italy_4.htm). This average was 45.38 days in the current 27 EU Member States. Since 2010, this statistics is not collected by the national statistics agency.

Ireland

(http://www.eurofound.europa.eu/eiro/country/ireland_4.htm)

"According to data provided by the CSO, 3,695 days were lost to industrial disputes in 2011 and 6,602 days were lost to industrial action in 2010. Although CSO figures do not include disputes resulting in work stoppages of less than one day or if the total time lost is less than 10 person-days, they do indicate that, despite the break-up of social partnership and the current economic climate, levels of industrial strife, particularly in the private sector, remain at the relatively low levels experienced over the past decade or so. In 2009, 329,593 days were lost to industrial action. This spike in figures in 2009 was mainly due to industrial action in the public sector. The largest industrial action in 2009 was the 24-hour national protest by public sector workers on 24 November 2009 in protest at planned cuts in public expenditure".

"In late 2011 / early 2012 a number of high-profile disputes and sit-ins were held by workers over redundancy payment. One particularly high-profile sit-in over redundancy payments by 23 workers at a Vita Cortex plant in Cork lasted 161 days in 2011/2012".

Greece

According to a study in 2011 by the Labour Institute of GSEE (INE / GSEE), about 445 strikes and work stoppages took place in the private and the public sector (240 of them in the private sector and 91 in the public sector) (http://www.eurofound.europa.eu/eiro/country/greece_4.htm). The strikes were mainly run by workers employed in the public sector.

In May and June 2009, two general strikes were held to criticise the policy proposals stated in the memorandum such as flexibilisation of work, cut on wages, and privatisations. Particularly during the social security reform, extent of resistance movements peaked, and number of general strikes reached up to seven in 2010. In 2011, several general strikes and rallies were held and attended nationwide.

Spain

(http://www.eurofound.europa.eu/eiro/country/spain_4.htm)

"Since 2005, there has been a moderate increase in the number of work conflicts (except in 2007, when there were 28 fewer disputes than in 2008), which became more pronounced in 2009, with 1,001 recorded strikes (191 more than in 2008) as a consequence of the employment crisis. Moreover, in 2009, 20% more workers participated in strikes than in 2008. However, the number of working days lost by industrial action dropped by 14%, which may indicate that the conflicts were of shorter duration".

"This trend seems to have changed after 2009. Hence, in 2010 the number of disputes fell (191 fewer than in 2009). The number of disputes recorded up to October 2011 (622) was also lower than the figure recorded for the same period in 2010 (855), and the number of workers involved in industrial action was also lower from January to October 2011 (170,862) than for the same period in 2010 (318,821). Moreover, the trend towards a decrease in working days lost due to industrial action observed since 2008 appeared to become consolidated in 2011".

"On the other hand, attention must be drawn to the two general strikes called by the 'most representative' trade unions, the Trade Union Confederation of Workers Commissions (CCOO) and the General Workers Confederation (UGT), in 2010 and 2012, again on the grounds of the labour legislations reforms".

"In addition, regional strikes affecting the education sector were held in several Autonomous Communities during 2011 (Madrid, Castilla la Mancha, Navarra and Galicia). Strikes were called to oppose the cuts in the education budget which led to an increase in weekly teaching working hours. The greatest unrest arose in the Autonomous Community of Madrid, where eight strikes were called from September onwards by the regional federations of different unions (ES1111011I)".

"Regarding the sectors involved, during 2011 the services sector saw the greatest number of conflicts (49.3% of the total number of conflicts), followed by the industrial sector (43.7% of the total)".

"As regards the main reasons for collective conflict, in 2011 the main reasons for the strikes called were employment clauses, accounting for 761 conflicts involving 177,529 workers and 440,884 lost working days".

VI. CONCLUSION