FRIEDRICH EBERT STIFTUNG



# Euro Crisis, Austerity Policy and the European Social Model

## How Crisis Policies in Southern Europe Threaten the EU's Social Dimension

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- The harsh austerity measures that, according to official policy, are supposed to overcome the euro crisis have once again plunged Europe into recession in 2012. Austerity policy has proved – in Greece, Italy, Portugal and Spain (GIPS) – to be primarily an attack on wages, social services and public ownership.

- The EU has developed a new form of wage policy interventionism (Euro Plus Pact, Six Pack). The principles of centralised collective agreements and general applicability are being undermined in the GIPS states and collective bargaining systems are being decentralised. Real wages fell in these four states from 2010 to 2012 at an above-average rate.

- As regards pension policy the GIPS states have introduced reforms that significantly curtail spending growth in pension systems. Relative pension levels will fall dramatically in these states up to 2040, measured in terms of the wage replacement rate.

- Due to the euro crisis the policy of privatising public assets in the GIPS states has been given new impetus. Greece has been hardest hit and is planning a veritable fire sale of state property.

- The abovementioned interventions in Southern Europe mean that the liberalisation of the European Social Model – which up until the crisis was to be observed mainly in western and eastern Europe – will be implemented in the EU as a whole. If the path of economic austerity, despite all opposition, is maintained until 2014/2015 and then experiences a new upswing the policy disaster for European social democracy and the trade unions will be complete.

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# Content

**Introduction** . . . . . . . . . . 3

**1. Euro Crisis and the European Social Model** . . . . . . . . . . 3

**2. Austerity Policy and Wage and Collective Bargaining Policy in the GIPS States** . . . 7
- 2.1 Mass Unemployment as Legitimation and Power Resource for Implementing Structural Reforms. . . . . . . . . . 9
- 2.2 The Erosion of the Sectoral Collective Agreement . . . . . . . . . . 10
- 2.3 Government Intervention in Wage Development . . . . . . . . . . 12
- 2.4 Consequences for Wage Development . . . . . . . . . . 13
- 2.5 Interim Summary . . . . . . . . . . 13

**3. Austerity Policy and Pension Reforms in the GIPS States** . . . . . . . . . . **15**
- 3.1 Old-Age Pension Systems in Southern Europe and Reforms Prior to 2008 . . . . . . . . 15
- 3.2 Pension Reforms in 2008 and Later . . . . . . . . . . 17
- 3.3 Consequences of Pension Reform to Date . . . . . . . . . . 19

**4. Austerity Policy and the Privatisation of Public Property in the GIPS States** . . . . . **21**
- 4.1 The Fire Sale in Greece . . . . . . . . . . 22
- 4.2 The Portuguese Privatisation Programme . . . . . . . . . . 23
- 4.3 Privatisation Plans in Spain and Italy. . . . . . . . . . . 24
- 4.4 Consequences of Privatisation . . . . . . . . . . 24

**5. Prospects of the European Social Model in the Context of the Crisis** . . . . . . . . . . **25**
- 5.1 Trade Union and Social Movement Resistance . . . . . . . . . . 27
- 5.2 The Policies of Socialist and Social Democratic Parties in Europe . . . . . . . . . . 27
- 5.3 Economic Development Paths out of the Crisis and the Consequences for the European Social Model . . . . . . . . . . 28

**Bibliography** . . . . . . . . . . **32**