

[ETUC newsletter]



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Figure of the month

40 millions euros

Alessandro Profumo, former Unicredit Bank CEO, has just obtained a 40 million euros pay out, and he has planned to give 2 million euros to charity projects.
(Source : Les Echos)

Note



Dear Readers,

Austerity is now the rule in a large number of European countries. Drastic measures have been put in place to reduce public deficits and pander to financial markets. At the Tripartite Social Summit, we alerted political leaders to the negative consequences such austerity measures are likely to have on the economy and on European workers. Our message was very clear: austerity will lead to ruin and to widespread poverty.

That is why the European trade union movement is continuing its mobilisation. After the success of our Day of Action on 29 September, we are organising a number of strategic events throughout Europe on 15 December, the eve of the European Council, as well as a Euro-demonstration in Budapest in March 2011.

The EU27 agreed to strengthen budgetary discipline, including enhanced surveillance of national economic choices as well as further sanctions against countries showing poor budget management, with action being taken more quickly than in the past. The ETUC is opposed to this model of European economic governance, which takes the form of a punishment squad against countries in difficulty. We believe that another mode of economic and social governance exists and we identified it at our latest Executive Committee.

The latest European Council also agreed to consider a limited change to the Treaty of Lisbon solely for budgetary reasons. We will take advantage of this to reiterate our long-standing call for the inclusion of a social progress protocol in the Treaty, a point also being progressed in discussions with the European Commission on the single market.

John Monks
General Secretary





[ETUC in action]

ETUC CAMPAIGNS

The ETUC continues protesting against austerity

27/10/2010 – At a press conference on the eve of the European Council, **the ETUC announced the follow up of its campaign against austerity**, a month after the success of the [Euro-pean Day of Action on 29 September where more than 100.000 people demonstrated on the streets of Brussels](#). The next steps of the campaign will be a series of activities across Europe on 15 December on the eve of the European Council, as well as a Euro-demonstration in Budapest in



March 2011. At the same time, the ETUC will create an **Austerity Watch** in order to provide regular information on austerity measures taken by European governments and evaluate their exact impact. This will be soon available on the ETUC website.

[ETUC press release](#)
[ETUC web site section dedicated to the campaign against austerity](#)

MAJOR MEETINGS - CONFERENCES - PROJECTS

ETUC Executive Committee

13-14/10/2010 – The ETUC Executive Committee met in Brussels two weeks after the [European Trade Union Day of Action](#) that brought hundreds of thousands of workers into the streets across Europe. The next steps in the action to put up a common front against austerity measures were discussed. Other major topics, such as economic and social governance, migration, pensions, climate change and its consequences on employment were also discussed.



[Trade Union Agenda]

October – November 2010

01/10/2010	Europe – Asia Trade Union Summit (Brussels)	
07/10/2010	World Day for Decent Work	Day Agenda
13/10/2010	ETUC Steering Committee (Brussels)	
13-14/10/2010	ETUC Executive Committee (Brussels)	
21-23/10/2010	CSC Congress (Ostende)	Congress Agenda
21-23/10/2010	Solidarnosc Congress (Wroclaw)	Congress Agenda
18/11/2010	ETUC Steering Committee (Brussels)	



[Dossier]

FINANCIAL REGULATION: a major issue for European trade unionism

Despite the repeated big statements by the G20 and the European Union, financial regulation at both global and European level has not yet fully succeeded in delivering concrete results. [Well before the financial crisis hit](#) in the autumn of 2007, the European Trade Union Confederation (ETUC) had been constantly sounding the alarm about the damaging consequences of financial capitalism and calling for the setting up of serious financial regulation to overturn the model of casino capitalism that had been at the root of the crisis.

The objective of this dossier is to summarise the many debates underway, while highlighting the trade unions' major demands in the matter. In view of the large number of questions being tackled and the complexity of the subject, we shall be adopting a two-stage approach.

After reviewing the **major debates underway**, focusing on the **trade unions' demands**, we shall look at the questions relating to the **supervision of the financial markets**, the **regulation of hedge funds and private equity groups**, and the **taxation of financial transactions**. In a subsequent dossier, we shall be exploring other aspects of financial regulation, such as the regulation of rating agencies, the abolition of tax havens and control of the bonuses paid to those with responsibility in the financial institutions.

Status of the debates: more announcements than results

Two years after the outbreak of the crisis, **the prevailing public opinion is that the crisis is no more than the result of a series of unfortunate mishaps in allegedly efficient financial markets**. Accordingly, and in contrast to what the trade unions are calling for, a huge armada of lobbyists has managed to partially obstruct reforms of the financial sector that would probably sort out these fundamental flaws and rebalance the world of finance with the needs of sustainable growth in the real economy.

In its [resolution of October 2009](#), the ETUC Executive Committee called on governments and the European institutions to ensure that the national, Euro-

pean and global regulatory architecture provides for a banking system for the real economy, thereby favouring growth and employment. Since their meeting at the Toronto Summit in June 2010, the leaders of the G20 have no longer even met their own commitments formulated at their previous meetings in London, Washington and Pittsburgh. There are fundamental divergences among the G20 on a number of important issues, such as monetary and fiscal policy, financial sector taxation, minimum capital requirements for the banking system, derivatives and hedge funds. These divergences are at odds with their commitment in April 2009 to establish "much greater consistency and systematic cooperation between countries, and the framework of internationally agreed high standards that a global financial system requires". The point is that when it comes to the transfer of executive power from Member States to the European level, one can observe the re-emergence of the traditional clash between a nationally oriented Council, a pro-active European Parliament exercising democratic control, and the Commission acting cautiously with regard to the Council. **ETUC strongly supports the European Parliament**, which is at the forefront of financial regulation in the EU, whereas the Council has sought to substantially water down the proposals that are on the table.

The trade unions' ten-point agenda

The ETUC Executive Committee resolution of October 2009 set out a **ten-point** agenda for financial reform, which called for robust regulation of financial markets and covered:

1. Sufficient enforcement powers of supervisory authorities,
2. Regulation of hedge funds and private equity groups,
3. Regulation of rating agencies,
4. Abolition of tax and regulatory havens,
5. Taxation of financial transactions, at least at European level,
6. Sufficient capital reserves requirements and standards,



[Dossier]

Financial regulation: a major issue for European trade unionism (following)

7. Remuneration and bonuses schemes which reflect long-term and sustainable performance,
8. Protection of working families against predatory lending and miss-selling of risky financial instruments,
9. Encourage the diversity of the financial service sector through a functional separation of institutions and
10. Democratisation of finance through high standards of social dialogue and the involvement of trade unions at all levels.

Supervision of financial markets: some important progress

In early September 2010, the European Parliament and the Council of Ministers achieved a compromise deal on a new **European System of Financial Supervision (ESFS)** architecture, setting up a pan-European regulator composed of three new European Supervisory Authorities for **micro-prudential supervision (ESAs), for Banking (EBA), Insurance and Pensions (EIOPA), Securities and Markets (ESMA)** and a European Systemic Risk Board (ESRB) for macro-prudential supervision, which will be up and running by January 2011. **The new authorities will have binding rights to intervene in the markets and act vis-à-vis national supervisors.**

ETUC, together with UNI Europa, has been very actively committed to monitoring this matter, proposing a series of amendments which have virtually all been taken into account. This is an important step forward, paving the way for a new EU financial architecture and strengthening the regulation of Europe's financial markets. The point is that the possibility for the European Parliament to veto the appointment of ESA chairpersons and request the Council to declare an emergency, plus a revision clause stipulating that in the years ahead, the effectiveness of the supervisory system needs to be assessed and accordingly reinforced, remain the key details of the legislation. Thanks to the ESFS, the banning of certain financial products, consumer protection on financial markets, and binding mediation in case of conflicts between national supervisors will be among the points secured. Likewise, the involvement of the trade union organisations

in the system will, be significant, thanks to the possibility of participating in advisory stakeholder groups with the provision of adequate financial compensation.

Regulation of hedge funds and private equity has just come out of the woods

Among the measures intended to increase transparency in financial markets, the **Alternative Investment Fund Managers' Directive (AIFM)** represents a pillar in European financial regulation, regulating for the first time the highly speculative 'shadow banking' sector, which played a pivotal role in the eruption of the crisis in the autumn of 2007.

After some bitter negotiations between the Council, the Parliament and the Commission since May 2010, **the ministers in charge of the economy and finances in the EU-27 countries reached a unanimous agreement on the subject at the ECOFIN Council on 19 October.** The European Parliament negotiators notified their agreement at the last trilogue meeting on 26 October. Thanks to this agreement, hedge funds and private equity groups will shortly form part of the regulated sector.

Among the most delicate issues in the negotiations with Parliament are the European passport for AIFM, the implications vis-à-vis third countries and the control of their activities, as well as the provisions in the articles that are specific for private equity funds. The EP is pushing to give workers significant social rights vis-à-vis the owners/shareholders of the companies that are taken over by a fund. However the Council has significantly weakened those provisions voted by the EP that were destined for improving employment protection in the target companies at the moment of the take-over. The ETUC will push for including these in a future revision of the Directive.

The agreement provides, as from 2012, for the creation of a **'European passport'** for Alternative Investment Fund Managers (AIFM) wishing to actively market their products within the internal market established in the EU. Effective tax and anti-money laundering cooperation will be a condition for receiving a passport for non-EU AIFM. The mechanism approved by the ECOFIN Council reinforces



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Financial regulation: a major issue for European trade unionism (following)

the powers of control vested in the future European financial markets authority, which, when 'European passports' are issued to a fund manager outside the EU, will be able to check that the manager's original market is also open to European managers and that it complies with the supervisory and guarantee standards in force within the EU.

With the ball now in Parliament's court, **the European trade unions hope that the agreement will be approved at the final vote in the Parliament scheduled for 11 November 2010.** Similarly, thanks to this agreement, the EU will be able to show the partner countries in the G20 that it has achieved some concrete progress in financial regulation and supervision. A more detailed evaluation will follow after the adoption of the final text.

Financial transactions taxes: a very grey area

ETUC is a founding member of the coalition "[Europeans for financial reform](#)" (EFFR) campaign, organised by the Global Progressive Forum¹. Among the themes of the campaign, **the introduction of financial transaction taxes (FTT) at global or at least European level** has become the focal point of the coalition.

The failure of the G20 Toronto Summit to reach agreement on coordinated action to tax the financial sector globally has led some governments in Europe to pursue FTT at European level. Last March, **an overwhelming majority of Members of the European Parliament pushed the Council, via a resolution, to weigh up the costs and benefits of a possible EU FTT on financial trading** to compensate taxpayers for bank bailouts and plug public deficits currently burdening (only) the workers; however, parts of the Commission have continued to play an obstructive role by means of publishing working papers designed to undermine the utility of such a tax, such as the *non-paper* on "Financial Sector Taxation" in preparation of the extraordinary meeting of ECOFIN on 7 September 2010.

¹ Membership of the Global Progressive Forum extends now over political parties (PES, Greens), ETUC affiliates, the International Trade Union Confederation (ITUC) and Global Unions and NGOs.

Countering this, **ETUC has intervened several times vis-à-vis the European institutions, urging them to discuss the clear benefits of FTT** in raising the money to close deficits caused by the crisis without damaging public expenditure cuts. **Our main argument has been that workers and their families are paying a triple bill for a crisis they have no responsibility for: as job holders who are facing high and rising unemployment; as taxpayers who are facing social austerity and higher taxes for fewer public sector services; and as parents who are facing lower quality in education, training and good-quality jobs for their children.**

On 28 September, President Barroso declared that "*the Commission will present proposals for taxing financial activities*" and that "*the EU would continue to discuss global financial transaction tax with our international partners*".

ETUC urges a global tax on financial transactions and hopes that this decision will be endorsed at the next G20 Summit in Seoul. However, if this cannot be settled at Seoul, then the European trade unions call on the Council to progress on this issue at European level: **FTT at a rate of 0.05% might generate up to 200 billion euro per year in terms of revenue**, which would make it possible to avoid harsh austerity measures and might be used for crucial investments. The debates on this question are still ongoing, but as far as we have been able to establish, only a minority of member countries effectively seem to be in favour of FTT. ETUC, together with Europeans for Financial Reform, remains actively committed to the establishment of this tax and will reject any distraction from an internationally coordinated effort to introduce FTT.

SOURCES:

- Dossier on financial regulation on the ETUC site: <http://www.etuc.org/r/1543>

FOR MORE INFORMATION:

- Andreas Botsch, ETUC and European Trade Union Institute (ETUI) special advisor in charge of the dossier: abotsch@etuc.org



[EU Agenda]

October – November 2010

30/09–01/10/2010	Economic and Financial Affairs Council (Brussels)	Council Agenda
04–05/10/2010	Asia–Europe Summit (Brussels)	Summit Agenda
06–07/10/2010	Mini–Plenary Session of the European Parliament (Brussels)	
07–08/10/2010	Justice and Home Affairs Council (Luxembourg)	Council Agenda
11–12/10/2010	Competitiveness Council (Luxembourg)	Council Agenda
14/10/2010	Environment Council (Luxembourg)	Council Agenda
15/10/2010	Transport, Telecommunications and Energy Council (Luxembourg)	Council Agenda
18/10/2010	Eurogroup meeting (Luxembourg)	Meeting Agenda
18–21/10/2010	Plenary Session of the European Parliament (Strasbourg)	
19/10/2010	Economic and Financial Affairs Council (Luxembourg)	Council Agenda
21/10/2010	Employment, Social Policy, Health and Consumer Affairs Council (Luxembourg)	Council Agenda
25/10/2010	General and Foreign Affairs Council (Luxembourg)	Council Agenda
26/10/2010	Informal meeting of the Ministers for gender equality (Luxembourg)	Council Agenda
28–29/10/2010	European Council (Brussels)	Council Agenda
08–09/11/2010	Justice and Home Affairs Council (Brussels)	Council Agenda
10–11/11/2010	Mini–Plenary Session of the European Parliament (Brussels)	
11/11/2010	Economic and Financial Affairs Council (Brussels)	Council Agenda
16/11/2010	Eurogroup meeting (Brussels)	Meeting Agenda
17/11/2010	Economic and Financial Affairs Council (Brussels)	Council Agenda
18–19/11/2010	Education, Youth, Culture and Sport Council (Brussels)	Council Agenda
22/11/2010	General and Foreign Affairs Council (Brussels)	Council Agenda
25–26/11/2010	Competitiveness Council (Brussels)	Council Agenda
29/11–10/12/2010	16 th Meeting of the Parties to the Climate Convention (Cancun)	Meeting Agenda



[Focus on EU and trade union positions]

Tripartite Social Summit : the EU is loosing its social capital, says ETUC



Source : EU Council

28/10/2010 - On the occasion of the [Tripartite Social Summit](#), the ETUC warned of the negative consequences that austerity measures will have on European workers. John Monks declared that

the European leaders should listen to the voice of workers in demonstrations taking place throughout Europe and that the EU is paying more attention to rating agencies than to the workers. The ETUC General Secretary opposed the sanctions decided by the Commission in the framework of the reinforcement of the Stability Pact. “Such unrealistic and unbelievable measures will jeopardize economic and social cohesion in Europe”, he said.

Moreover, the ETUC considers that Finance Ministers have taken the control of the situation to the detriment of the Employment Ministers.

[ETUC statement on economic governance](#)

Single Market act : the battle goes on

27/10/2010 - The European Commission has just published the [Single Market Act](#), consisting of a series of plans to “strengthen” the single market. The ETUC notes that **there has been an unexpected battle within the European Commission concerning the social aspects of the proposed new Single Market Act**. The ETUC regrets that **the commitment relating to the right to strike has been weakened**. The ETUC hopes that the European Commission’s consultation process in the future will lead to positive results for all European workers.

[ETUC press release](#)

“Unsatisfactory, unambitious, and unacceptable” ETUC reacts to the EU Commission’s proposals on financial sector taxation

07/10/2010 - John Monks described the [EU Commission’s proposals on financial sector taxation](#) as “**unsatisfactory, unambitious, and unacceptable**”. They are **unsatisfactory** in that they deflect from the aim of taxing highly speculative and short-termist trans-

actions; they are **unambitious** in dismissing the proven feasibility of Financial Transaction Taxes (FTT), preferring a much weaker Financial Activities Tax (FAT) at EU-level; they are **unacceptable** in that they once more defer a much needed policy decision to make the financial insti-

tutions pay for the crisis they have inflicted upon millions of working families in Europe. [ETUC urged the ECOFIN Council to put FTT on the agenda of the G20 meeting taking place in Seoul in November](#).

[ETUC press release](#)



[Focus on EU and trade union positions]

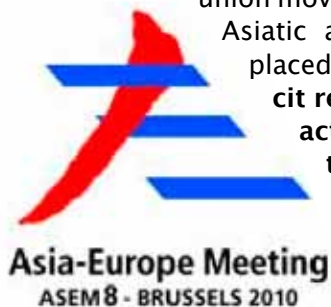
Innovation policy : ETUC's positive comment

06/10/2010 - Following the EU Commission's publication 'Innovation Europe', the ETUC welcomed the intention that **the issue be not just for management, universities and scientists but also for workers, unions and social dialogue.**

[ETUC press release](#)

Asia-Europe Summit: some minor progress

06/10/2010 - ETUC welcomed the fact that the [8th Asia-Europe Summit](#) (Brussels, 4-5 October) discussed the issue of social cohesion. However, the European trade union movement expressed **concerns that Asiatic and European political leaders placed too much emphasis on deficit reduction instead of promoting actions related to social protection and decent work.**



[ETUC press release](#)
[Trade Union declaration for the Asia-Europe Summit](#)

EU must expand its commitment to combat climate change

14/10/2010 - At its Executive Committee on 13 and 14 October and on the occasion of the EU Environment Council, the ETUC adopted a resolution on combating climate change in anticipation of December's Cancun Summit. For the ETUC, the European Union needs to go further in its effort to fight climate change and must give itself the means to help finance the necessary effort.

[ETUC press release](#)

Maternity Protection: mixed outcome of the vote in the European Parliament

18/10/2010 - Although it welcomes stronger protection for pregnant workers and working mothers, the ETUC is **disappointed that the vote in the European Parliament on the Maternity Protection Directive did not support fully paid maternity leave in all Member States.**, the ETUC has long been demanding fully paid maternity leave of at least 18 weeks, without any ceiling at national level. The Parliament voted in favour of extending maternity leave to 20 weeks, but the remuneration for the last four weeks would vary according to national legislation. The maternity protection dossier will now pass to the hands of the Council and **the ETUC urges the Belgian Presidency to deal with this issue as a matter of priority.**

[ETUC press release](#)

Please pass this newsletter on to your colleagues and contacts

Editorial team: MANAGING EDITOR: **John Monks** • EDITOR-IN-CHIEF: **Patricia Grillo** • EDITOR: **Daniele Melli**