Millions of European workers in precarious employment

Verena Nees
26 September 2017

On the 150th anniversary of Marx's Capital, a new report reveals how European capitalism, headed by the bureaucracy of the European Union, has created a huge army of precarious workers, plunging millions into poverty.

On 12 September, the Berlin daily *Tagesspiegel* published an article by the research network Investigate Europe titled "Europe's new reserve army." The report authored by Harald Schumann and Elisa Simantke presents shocking figures.

Politicians and business groups regularly refer to the over five and a half million people who have found jobs since 2012 as proof of the EU's booming economy. According to Eurostat, however, four out of five of these new jobs are part-time or short-term contract and low-paid.

This is especially true for young people. More than half of those under-25 years old in the EU are employed for a limited period, while in Spain this figures rises to over 70 percent.

Schumann and Simantke cite the reasons for this development: "Commissioners and finance ministers of the Eurogroup systematically abolished collective bargaining agreements" and EU countries were "engulfed by a downward trend for wages and workers' rights." There has been a wave of deregulation in labor law in EU countries for the past two decades. These so-called structural reforms are aimed at making work more "flexible" and driving down costs.

The model for these measures was the German Agenda 2010 program implemented by the Social Democrat-Green Party government led by Gerhard Schröder (SPD) and Joschka Fischer (Green Party) in 2003. "In his government statement on the subject in March 2003, Schröder, spoke of 'flexibility' and 'creating flexibility'," the authors write. "And so non-contract agency work was freed from 'bureaucratic restrictions', the ceiling for short-term contract work for start-ups was extended to four years, employers received tax relief for offering low-wage and mini-jobs, while the unemployed were forced to accept any job offer no matter how badly paid."

The often-cited German job miracle, according to the report, is misleading. In fact, the total of actual working time did not increase up to 2010. Instead hours worked were spread amongst more workers. In the period of growth in 2011 the volume of work once again rose more slowly than employment levels. This figure continues to remain below the level of the early 1990s.

In 2016 4.6 million people in Germany worked exclusively in mini-jobs (earning up to 450 euros per month!), while another 1.5 million are employed part-time. In addition, there are about one million temporary workers and around two million self-employed individuals, who usually do not have enough work.

The "industrial reserve army", as Karl Marx termed the army of unemployed, which is used to suppress wages and as a reserve force at the beck and call of the employer, has been turned into an army of underemployed and temporary workers, and temporary low wage earners living on or under the poverty line. The poor in Germany currently comprise 16 percent of the population. According to recent data, the bottom 40 percent of wage-earners now take home less than they did twenty years ago when inflation is taken into account.

The Agenda 2010 program has since been taken up in many other EU countries: In Spain, short-term contracts lasting a few months are commonplace. The Netherlands has introduced variable part-time work and in Italy, self-employment is the norm.

The situation in Poland is particularly bad. After EU accession, the Polish government introduced a system of hiring and firing to attract investors. Companies in Poland can terminate temporary employees before the expiry of their job deadline without stating a reason. Short term contract work without social insurance has also been extended, resulting in income levels below the statutory minimum wage. Today, in Poland, more than a third of all workers are working precariously, or for hunger wages—the highest percentage in the EU.

Following the financial crisis of 2008, the EU tightened up its austerity policy. EU economic commissioner Olli Rehn called for "employment-friendly reforms" in crisis-ridden countries, which a "Report on labor market development" listed as follows: reduction of protection against dismissal; lower compensation payments; increase in the maximum duration and number of short-term contracts; reduction in the scope of collective agreements; lessening of the bargaining power of trade unions.

EU officials were particularly ruthless in Greece, Portugal and Romania. The Troika (the EU Commission, IMF and ECB) met secretly in October 2011 with Pierre Deleplanque, the head of the Heracles cement company—a Greek subsidiary of the world's largest construction company, Lafarge. After the meeting, Deleplanque sent his demands to the IMF office in Athens. In a document stamped "Confidential, for internal use only," he demanded the suspension of sectoral tariff agreements and existing company contracts in favour of "individual agreements."

This was then incorporated into the Troika credit agreement, the so-called Memorandum of Understanding. Since then, wages have been largely negotiated at a company level, usually directly with individual employees. Employers can convert a full-time contract into "atypical employment" against the will of employees. The measures were a major factor in reducing wages in Greece by an average of 23 percent.

The same applies to Portugal. By 2008, some 45 percent of all employees still worked under secure contracts—six years later this figure stands at a mere five percent.

In Romania, ninety percent of all workers worked on the basis of a collective agreement in 2009, until a new labour law was enforced with the help of the Council of Foreign Investors and the US Chamber of Commerce. Today, 40 percent of all employees earn the statutory minimum wage.

When the government in Bucharest announced in 2012 that it intended to introduce collective wage agreements nationwide, the then EU economic commissioner Rehn and the IMF jointly vetoed the plan along with the American Chamber of Commerce. The government then ditched the proposal.

At present, the new French government under Emmanuel Macron is striving to impose similar labor market laws on French workers who have so far been less affected by precarious working conditions than other EU countries.

The report of Investigate Europe shows the true face of the EU. As the Socialist Equality Party (SGP) noted in its election statement, the EU "does not represent the 'unity of Europe'. It is a weapon of the most powerful economic and capital interests against the working class."

The report by Schumann and Simantke cites a number of trade union officials who complain about the destruction of tariff structures. Thibault Weber from France, and a member of the board of the European Trade Union Confederation declares that Europe's economics politicians are "obsessed with the notion that the labor market is a market like any other, and therefore needs to be flexible to the extreme."

The fact is, however, that the trade unions have played an important role in this development. Their perspective is pro-capitalist and pro-EU. In the interests of the profitability and competitiveness of their own national economies, they have signed countless agreements enforcing more flexibility and wage reductions.

Without the services of the German trade union movement, the Schröder government could not have introduced policies for such a huge low-wage sector.

On 18 September, Gustav Horn, the head of the Institute for Macroeconomics and Economic Research (affiliated to the trade union Hans Böckler Foundation) appealed to the political establishment to take measures to combat poverty and curb precarious employment. His appeal was aimed at covering up the tracks of the trade unions themselves and holding out a helping hand to the SPD on the eve of the German federal election. All to no avail—the widely despised SPD registered its worst election result since 1949.