



European Trade Union Confederation (ETUC)
Confédération européenne des syndicats (CES)

BASHING PUBLIC SECTOR WAGES AND PUBLIC SECTOR JOBS

ETUC AUSTERITY WATCH NR 1

Public sector workers have been first and hardest hit by austerity. They are an 'easy target' for finance ministers looking to reduce high public deficits in a fast and simple way, by cutting public sector wages practically overnight. Simultaneously many public sector jobs have been wiped out with temporary contracts not being renewed. Further jobs cuts will be felt, over the medium term, when workers leaving the public service will not be replaced.

An additional reason for targetting the public sector is the 'domino effect' wage cuts in this sector have on the rest of the economy: If wage cuts happen in the public sector, then it becomes 'logical' that they should also be applied in the private sector. In turn, if average wages are cut, the level of the minimum wage also comes under pressure. And if the entire wage building comes down, then unemployment benefits should also be cut in order to restore financial incentives for the unemployed to take up work. In this way, public sector wage cuts represent the first step in a powerful downwards social spiral.

The table attached provides an overview of public sector wage cuts and freezes as well as job cuts. It shows the devastating brutality public sector workers are facing in many European member states:

- Nominal wages have been frozen in Bulgaria, Poland, Romania, France, Spain, Slovenia, Italy, Portugal. In several of these countries, wage freezes are not limited to one year but will be maintained for a period of up to three years. Taking inflation into account, these nominal wage freezes imply real wage cuts.
- Depending on the country, nominal wage freezes are either being followed or preceded by nominal wage cuts. Germany will be taking away 2,5% of public sector wages in 2011, while Spain has cut public sector wages by 5% in 2010. Meanwhile, Portugal has introduced a 10% wage cut although this is limited to wages above 1500 euro. Estonia and Lithuania are operating wage cuts in the order of 8%. Next in line are Irish public sector wages which have been cut in different stages by about 13%. Wage cuts are even bigger when considering Greece (-20%) and Romania (-25%). Latvia, sadly, beats all records by forcing through wage cuts of up to 50%.

- Meanwhile, public sector jobs are also being slashed : Poland and Bulgaria will reduce jobs by 10%.Romania has announced 250.000 job cuts in the public sector while the UK recently announced plans to cut 490.000 jobs or almost 10% of the total public sector work force.

The consequences of public sector austerity for the economy will be serious:

- Looking at the figures, we can expect that at least at 1 million workers will lose their jobs in the public sector over the next few years. These direct job losses will be passed on to the economy through lower demand and lower spending and will thereby result in additional, indirect job losses. So, after losing 5 million jobs during the recession, a further 1,5 to 2 million of jobs will be lost! Note that this is a conservative estimate since the negative demand effects from the cuts in public sector wage have not been taken into account!

Furthermore, , with high private sector debt in those countries where most cuts are being made (UK, Spain, Portugal), private sector job creation dynamics will not be in a position to compensate for these additional blows to employment. Public sector austerity therefore means that high unemployment is here to stay for many years.

- Moreover, on top of the immediate effects on demand and economic activity, there will also be structural effects. Public sector jobs and wages should not be seen as part of an expenditure package. They should rather be seen as investments into the future of the economy and society. If schools and hospitals are being closed, if investment in education is being slashed, if planning departments for public infrastructure are being slimmed down, if there's an exodus of qualified staff (teachers, doctors, nurses, engineers,...) to other countries and regions in the world, then clearly the economy will suffer in the long run as well.

In other words, austerity won't work. It will lead us down the road of ruin. ,

ETUC, Brussels, 26th October 2010

Overview of austerity measures being taken in the public sector

	Pay freeze	Pay cut	Pay reform	Jobs
Bulgaria	2011 – 2013	2010 10%	2010	More than 10%
Croatia		2009 -6%		
CZ		2011 – 10% for total wage bill (-30% off the wage if long tenure)		
Greece	2009 – 2012	2010: -20%	2010	No recruitment in 2010. Replace one in five from 2011 to 2013.
HU		2009:13th month		
Ireland		2009: -5% and -5 to -8%	2009-2010	
Latvia		2009: 15 to -50%		
Italy	2010/2011/2012			Replace 1 in 5 (170.000 FTW's in education)
Lithuania		2009: -8%		

	Pay freeze	Pay cut	Pay reform	Job cuts
Poland	2011			10%
Portugal	2010-2013	2010-2011: -10% if wage over 1500 euro		
Romania	2009	2010:-25%	2009-2010	Replace 1 in 7(250.00 to be fired)
Slovakia		2010: -1%		
Spain	2011	2010: -5%		
Slovenia	2011		Former agreement to raise public pay was cancelled in 2010	
Germany		2011: -2,5%		10.000 jobs to go by 2014
Fr	2011-2013	Levy for pensions		
Lux	2010 for central administration			

	Pay freeze	Pay cut	Pay reform	Job cuts
Estonia		2010:-8 (through cuts in bonuses)		
Lithuania		2010: - 8 to 10% /temporary/ not on base level pay		
UK	Two years			490.000

| Source: ETUC annual collective bargaining questionnaire

