



## ***European Sectoral Social Dialogue Committee in Local and Regional Government***

### **Brief report of the working group on the impact of the financial economic crisis on local and regional government and restructuring 30 March 2009, Brussels**

#### **Introduction**

This meeting was planned to discuss the follow-up to our joint report and conclusions on “*supporting the reform process in local and regional government: joint evaluation of the experience in different forms of service provision.*” However, at the steering group meeting on 9 March we thought it important to integrate the problems caused by the financial and economic crisis. For the meeting, we prepared a joint statement which outlines some of these problems (attached). We also said that the working group should aim to prepare for a more in-depth discussion at our next plenary meeting (date still to be fixed)

#### **Introductory presentations**

There were three introductory presentations:

- ✓ Kristian Weise, LO-Denmark, gave a presentation focusing on the reasons for the crisis. His ppt is attached, and gives data on the shortcomings of an economic system that encourages unsustainable levels of (private) profit.
- ✓ Sue Bird, Local Employment Development, DG Employment, European Commission gave an update of developments in the Spring Council 19/20 March and EU response to the crisis. She also gave information about the Local Employment Development work of the Commission and cooperation with the OECD. Her presentation is also attached.
- ✓ Angelika Poth Mogege gave an update of CEMR’s members survey on the problems caused by the current crisis (e.g., loss of income, increased welfare expenditure).

Discussion stressed the need or European (and international) cooperation and coordinated public investment in the economy, and in particular in public services. Public investment is 3-5 times more efficient in supporting demand than tax cuts. Money should be used to support sustainable development, quality jobs, and there should be full transparency. Public (and private) procurement should be used to support social objectives, and the meeting noted with interest the upcoming EC guide on ‘socially responsible public procurement.’ Employment measures are also necessary, in particular concerning training and life-long learning

#### **Cross-sectoral integrated project on social dialogue**

Juliane Bir ETUC gave an update on the social partners’ project (attached), which includes research and national action programmes. A synthesis report will be prepared towards the end of this year and a final conference will take place early in 2010. The cross sectoral social partners’ are also discussing the economic crisis. In addition, the current negotiation on ‘inclusive labour markets’ is related to the crisis.

**How is the economic crisis affecting employment in local and regional government?  
What are the responses / demands of social partners?**

We noted from the discussion that reductions in revenue are impacting on services and employment. For example,

- ✓ in Sweden local authorities are currently preparing their 2010-2012 budgets and anticipating 11,000-20,000 job cuts
- ✓ cuts in central funding in Ireland are leading to reductions in overtime, bonuses and in temporary employment
- ✓ in Estonia cuts in budgets of 8-10% are taking place
- ✓ in Finland there are some local agreements to reduce working time. It was also mentioned that the cross-sectoral social partners and Finnish government prepared a common position. paper on the economic situation, in order to have the same 'factual' interpretation of events. There is a working group to consider way of increasing the actual working age. The Finnish LRG employers have also prepared a 'rescue plan for the municipal economy' which is supported by the trade unions.
- ✓ In Denmark there is less labour mobility and there are no longer hard to fill jobs. The Government has reduced income tax.
- ✓ In Germany, there are concerns for budget in 2010, especially for LRG in poorer regions
- ✓ There have been substantial cuts in funding in Latvia (15%) and also increase in VAT from 18 to 21%. However there is access to the European Structural Funds.
- ✓ In Greece LRG is losing a percentage of tax collected from tourism. Maintaining welfare structures for elderly people is very important.
- ✓ In Norway there is an increase in government funding to replace lost taxes in 2009 and to support building maintenance and other expenditure incurred by the crisis.

**Conclusions and next steps**

We ask members to make use of the joint statement that we agreed and to keep us informed of national developments.

We will return to the discussion at our next plenary meeting.