TRADE UNION ADVISORY COMMITTEE
TO THE ORGANISATION FOR ECONOMIC
COOPERATION AND DEVELOPMENT
COMMISSION SYNDICALE CONSULTATIVE
AUPRÈS DE L'ORGANISATION DE COOPÉRATION
ET DE DÉVELOPPEMENT ÉCONOMIQUES

Strong Public Services are the Road to Recovery

TUAC Submission to the Meeting of the Public Governance Committee at Ministerial Level, 15 November 2010, Venice

1. The crisis has resulted in a massive transfer of private debt to public debt as a result of the unprecedented bailing out of the banking sector, financing of stimulus packages and the slower growth during the crisis. Fear of the financial markets has pushed many OECD governments into retreating from expansionary policy in favour of austerity programmes. OECD citizens are paying a high price through massive cuts in public spending and jobs that are being announced and in some countries are now taking place. Since September 2008:

- More than 110,000 positions have been cut by state and local governments in the U.S., which could lead to another 0.9m to 2.2m job losses in the U.S. economy in the year to come[i];
- In Europe, over 127,000 jobs have already been lost as a result of public administration restructuring, of which 42,000 are in France alone[ii]. Poland and Bulgaria will reduce public sector employment by 10%, Romania has announced 250,000 job cuts and the United Kingdom 490,000 job cuts representing almost 10% of the British public sector work force. The ETUC expects that a further 1m workers will lose their jobs in the public sector over the coming years, leading to another 1.5m to 2m collateral jobs losses in the private sector across the EU[iii].

2. Meanwhile nominal wages have been frozen in many countries[iv]. Spain has cut public sector wages by 5% in 2010, Portugal by 10% (above €1500 monthly salary), Estonia and Lithuania by 8%, Ireland by 13%, Greece by 20%, Romania by 25% and Latvia by 50%. Germany will reduce public sector wages by 2.5% in 2011.

3. These cuts in public expenditure, wages, pensions and social programmes to pay for the financial crisis are socially unjust and economically unsound. They will serve to increase inequality – a key factor in precipitating the crisis in the first place – and risk tipping the global economy back into recession with catastrophic results.

4. TUAC agrees with the OECD's broad objective of "*fostering a more efficient, effective and innovative public sector*" as suggested in the documents before the Ministerial meeting. We would urge the OECD to offer guidance on the "*current and future challenges and constraints facing governments*", as well as on "*supporting a whole-of-government perspective through strategic coordination and policy coherence*".

5. Delivering policy coherence, however, also requires the alignment of well-defined economic policy objectives. The priority for governments must be to restore sustainable household demand and to invest in public services as long-term engines of growth. Developing "e-government" or pushing ahead with administrative simplification may be desirable in their own right, but they are not substitutes for restoring financial resources to the public sector through broad-based and progressive taxation. Nor do public-private

partnerships offer a panacea for achieving sustainable financial solutions for governments. The road to recovery depends on investment in quality public services, not on austerity measures that undermine public service provision and the social wage.

---

[i] "More Budget Belt-Tightening Means More Job Losses for States", Center for Economic and Policy Research, September 2009 - http://www.cepr.net/documents/publications/state-budgets-2009-09.pdf

[ii] European Restructuring Monitor http://www.eurofound.europa.eu/emcc/erm/index.htm

[iii] Bashing public sector wages and public sector jobs – ETUC Austerity Watch, Nb 1, 26th October 2010 http://www.etuc.org/a/7783

[iv] including Bulgaria, Poland, Romania, France, Spain, Slovenia, Italy, and Portugal.