

## PARTNERSHIP OF PUBLIC EMPLOYERS

NEWSLETTER – SEPTEMBER 2011

The summer is usually the quietest period for Europe, but this year the politicians and senior officials have been hauled back from the beach to deal with the growing crisis of the euro.

With six countries in severe difficulty (Greece, Portugal, Ireland, Spain, Italy and now Cyprus), the list of those eurozone countries not on the sick list is not much longer. The crisis has gone on longer than many predicted at the outset, but there is a growing sense that over the next few months some kind of watershed might be reached. The main possible outcomes seem to be 1) debt default and probable exit from the euro by Greece first and then a possible domino effect on other countries on the sick list; 2) a division between a hard northern currency centred on Germany and a softer Mediterranean one; 3) further integration of the eurozone countries to unify their economies first and possibly their governments later; and 4) continued muddling through with no clear outcome.

There are at least two imponderables here: how the markets behave, especially given the added stress of another downturn in the US; and how German public opinion, which seems to be increasingly disenchanted with Europe, reacts to events.

We may not be in the eurozone but we are directly affected by the eurozone economy and if the outcome of the crisis is to create an inner core of countries whose economies are more closely integrated (common tax and benefit systems for instance as well as common interest rates), then there will be a political perspective to consider as well. It is in the UK's interest for our biggest trading partner to be economically stable but is it in our diplomatic interest to have what could become a United States of Continental Europe across the English Channel? There would probably need to be changes to the European Treaties to allow for such a development. Would this give the UK an opportunity to negotiate a repatriation of some powers, particularly in the employment field? How would the Coalition Government, containing two notably different attitudes to the EU, deal with this situation? Would there be a referendum in the UK and on what questions?

These issues could not be much bigger though not everyone would agree with German Chancellor Angela Merkel's opinion that the future existence of the EU depends on the survival of the euro.

While such matters are for the governments of the Member States and the European institutions, social partner organisations such as CEEP do have a voice in Brussels even though the big decisions tend to be taken behind closed doors. And even if the debate is thought to be over our heads, we need to be aware in our business with CEEP and the other social partners of the momentous developments that may come to pass this autumn.

Featured in this Newsletter:

- “EU labour market close to a standstill”
- German court case on retirement age
- UK bickering over implementation of Agency Workers’ Directive
- Report on CEEP meeting on Climate Change
- Spanish restriction on free movement of workers from Romania
- 2012 : European Year for Active Ageing
- CEEP response to Green Paper on Professional Qualifications Directive
- Director’s report on French visit to UK and upcoming meetings

### **EU labour market data**

The Commission’s Labour Market Fact Sheet for July 2011 reported the following highlights:

- Unemployment virtually stopped its downward trend in May and has increased over the last 12 months in 8 out of 27 countries
- Youth unemployment remains high at 20.4%. While declining slightly overall, it is still rising in 11 countries
- Hiring activity remains solid, with firms expecting employment increases
- Restructuring activity picked up in June, with a significantly negative impact on jobs, mostly driven by Italy **and the UK**.

Interestingly in relation to restructuring, over twice as many jobs were lost in the finance sector as in public administration.

### **Compulsory retirement age**

In April the UK government abolished the right for employers to retire staff compulsorily at the age of 65. But in July a case was reported from Germany (Fuchs v Land Hessen) which age campaigners say could give more room for manoeuvre for those employers who wish to impose a mandatory retirement age. Gerhard Fuchs was a state prosecutor and when he was forced to retire at 65, he took his case to court. Eventually the case reached the European Court of Justice which decided against Herr Fuchs, on the grounds that preventing disputes with older employees over their continued fitness for service is a “legitimate aim” to justify compulsory retirement. Owen Warnock, employment law partner at PPE member Eversheds was reported as saying this ruling may mean employers re-examine their policies, although their research indicates that this is not a priority for most employers. The German case too hinged to some extent on the specifics of German law. But the likelihood is that we can expect further testing of the legislation by both employers and employees and therefore that this will continue to be an area to watch out for.



### **Agency Workers Directive**

From 1 October temporary agency workers will receive the same pay and other benefits as permanent staff in the same role, once they have completed 12 weeks of a temporary assignment. This is reckoned by BIS to have a significant cost for employers and there have been several calls from private employers' organisations (Institute of Directors and British Chamber of Commerce) for implementation to be delayed or scrapped. Those arguing along these lines, include politicians wishing both to avoid an unwelcome imposition at a time of very sluggish growth and to send a strong eurosceptic message. Evidence of tensions within the Coalition on this matter (and indeed the wider issue of attitudes towards the EU) emerged with the news that the Prime Minister's office had commissioned legal advice on this independently of BIS, the government department responsible for employment law. While it seems that the legal advice given to No. 10 argued that the UK legislation has "gold-plated" the European Directive, the Government's options are rather limited because if they change the UK legislation without the support of both the TUC and the CBI, the UK derogation for the first 12 weeks of a temporary assignment would no longer apply and we would be faced with the same terms as employers in other member states, namely equivalent pay and other benefits from day one. So, although the political arguments are interesting and need to be watched, HR departments should continue to plan for implementation from 1 October of the legislation in its current form, ie equivalence after 12 weeks.

### **CEEP meeting on Climate Change**

Hugo Marfleet, a Lincolnshire CC member and Chairman of new PPE member Lindsey Marsh Drainage Board attended a CEEP meeting on Climate Change in Vienna in July. This was a combined meeting of the Energy, Environment and Water committees. Hugh reports that it was an excellent meeting and has given us this summary:

*Re climate change, it was agreed that each committee would respond with its own comments back to the secretariat who would compile a formal response.*

*I was impressed by the dialogue and the work of CEEP. I spoke about the defence of our coast line and the coastal communities, agricultural land at risk and the fear of development in the coastal areas both for private and public services. This led to debate on "mitigation" and "adaptation".*

*Water use for agriculture was discussed and we heard of innovative ways from fellow countries and how they are responding. The Chairman of the Energy Committee gave a good account of the issues relating to Europe and the need for research and development and security.*



*There was a discussion on plastic bags. With the energy from waste being developed around the countries using the product and shipping issues, weight of paper bags etc it was left to the experts to respond to the consultation [re Waste Framework Directive].*

*In the afternoon we went around the new Energy from Waste plant that takes the waste from Vienna; very impressive, processing 250,000 tonnes of residual waste providing energy for 25,000 households and covering the district heat demand for 50,000 households.*

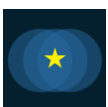
Many thanks to Hugo, and we welcome similar reports from others attending CEEP meetings on behalf of CEEP.

### **Free Movement of Workers: Spanish derogation re Romania**

On 11 August, the European Commission approved a request from Spain to restrict entry to its labour market by Romanians for the period until the end of 2012. The Commission consider the circumstances in Spain to be exceptional (unemployment over 20%, which is more than double the level in the UK). Certainly there is evidence of dramatic financial problems for Spanish local authorities (of which there are over 8,000), 40% of whom are reckoned to be in severe financial difficulties with debts up to four times annual budgets and wage cuts of up to 15% for some staff. Interesting though it is that the Commission is prepared to make this exception to the rule of free access to labour markets throughout the EU, it seems unlikely that this will become a broader trend in the foreseeable future; that said, we are clearly in times of great uncertainty.

### **European Year for Active Ageing**

2012 is not only the year of the London Olympics, it will also be the European Year of Active Ageing and Solidarity between Generations. Some EU funding possibilities are available for projects in this field. A recently published brochure (which can be downloaded from <http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=1065&furtherNews>) presents numerous examples of projects which have received EU funding and short presentations of the most relevant EU funding programmes. Regional and local stakeholders are invited to make use of these possibilities, preferably working in partnerships involving several countries. If you would like help in putting together a possible international consortium for this purpose, PPE's Director Janet Beaumont will be happy to put you in touch with possible partners from other national sections of CEEP. Janet is also chairing a working group for the Commission Gender Equalities Advisory Committee which is developing an opinion on Active Ageing to influence the Commissions approach to 2012. The next meeting is 15 September - a final draft will be available for comment following this meeting.



### **Professional Qualifications Directive**

Kate Ling (NHS employers) and Charles Nolda (European education employers) took part in a meeting on 5 October which prepared CEEP's draft response to the Commission's Green Paper on revising the Professional Qualifications Directive. This is the legislation which allows somebody qualified in a particular field to work in that occupation or profession anywhere within the EU, Norway, Iceland and Switzerland. That simple statement of principle takes over 120 pages to put into legal form! This is because, to balance the principle of free movement of professionals there have to be guarantees that standards will not be compromised and therefore qualifications have to be assessed in each individual case as to whether they are equivalent to those in the host or receiving country.

The result of this meeting was to produce a draft, heavily influenced by UK input but also taking on board views submitted in writing to the meeting from Denmark, Austria and Sweden. This draft is now being cleared through CEEP's "written procedure" as the formal response to the Green Paper.

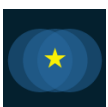
Whether much will change as a result of this consultation remains to be seen. The Commission, keen for a headline initiative, are promoting the idea of a "professional card" to facilitate transfer decisions but at this stage there seem to be more questions about the maintenance of professional standards than clear answers.

The House of Lords debated the issue on 8 September and concerns were expressed about aspects of the present regime in relation to healthcare staff, including poor language skills and countries not passing on concerns about individual doctors to other countries. Both of these points are covered in the CEEP draft response.

### **French visit to London and upcoming meetings: Director's report**

A delegation of 20 from the French Section of CEEP, including the Deputy Mayor of Paris will be visiting London on 22 and 23 September. Mark Robinson and Gillian Fawcett have been helping me develop the programme for them along with Cllr David Simmonds who is the Chair of EFEE. The programme includes a visit to the GLA, Stratford and a series of meetings with Social Landlords. The group are particularly interested in how we finance public services in the UK and the impact of the current economic climate. The work has allowed us to make excellent links with the National Housing Federation which we hope to develop further in the months to come.

The Board of Directors of CEEP have asked to co-ordinate the next meeting with our Executive in London on 6 October. Arrangements are well in hand with the help of our newest Member - Eversheds who will be hosting a dinner for us on the evening of 6 October. The BOD agenda will include discussions on CEEP subscription rates and the upcoming elections for overall President of CEEP, Chair of Social Affairs and the



appointment process/potential renewal of the General Secretary of CEEP. Our Executive will consider a business plan for PPE which will be presented to the Annual meeting on 21 October.

The Annual meeting arrangements are well underway and we will be holding a workshop on the morning of 21 October to promote PPE, highlight key issues for employers and stress the impact Europe has on our daily activity. We already have expressions of interest from 30 participants. A full programme will be available shortly on [www.ppe.uk.com](http://www.ppe.uk.com)

### **Future Meetings**

Some of the key meetings will be as follows:

- CEEP Project group on Financial participation of Employees - 12/13 September - TBC
- Commission Advisory Committee Working Group on Active Ageing - 15 September (Brussels)
- Third European Congress of Women - 17/18 September (Warsaw)
- Environment Committee – 26 September
- Water Committee – 26 September
- Energy Committee – 27 September
- CEEP Board of Directors – 6 October (London)
- PPE Executive Committee Meeting – 6 October (London)
- NARE and PPE AGMs – 20 October and PPE workshop (am) 21 October ( London)
- CEEP Local Public Enterprises Conference – 4 November (Brussels)
- Environment Committee – 28 November
- Water Committee – 28 November
- CEEP Joint GA, Chairs, Vice-Chairs etc – 12 December (Brussels)

### **PPE Website**

Please note that all PPE papers can be viewed by the membership on our website ([www.ppe.uk.com](http://www.ppe.uk.com)) under “News & Blog”, using your username and password.

Recent postings on the website, including PPE responses and interventions are at Appendix A attached.

