

The EFBWW European Election Manifesto 2009

Responding to the economic crisis – supporting investment and boosting demand

The full force of the global financial and economic crisis will probably hit the European economies during the second half of 2009. The EFBWW industrial sectors are predicting mass redundancies during the course of 2009, and in some Member States the recession is already now turning into a depression.

The social impact of the crisis is far-reaching: structural unemployment rising to sky-high levels at the same time as unemployment benefits are reduced; drastic wage decreases in some countries following some years of expansion, leading to a disastrous private and public debt situation; risk of increasing xenophobia when wage competition is promoted and “workers are put against workers”; risk of social security and workers’ protection being undermined, when the crisis is used as an excuse to weaken workers’ rights.

The recovery plans and stimulus packages that are being discussed and decided on by the EU Member States are clearly insufficient to counter-act the crisis. (Annex 1 shows the size and nature of the stimulus packages adopted by the large Member States in February 2009). Due to the fact that private sector investment is likely to be falling the years to come, when the focus will be on driving down the debt load, co-ordinated demand-increasing efforts at EU level – over and above the fiscal stimulus at EU level that was agreed on in December 2008 and March 2009¹ – are urgently needed.

Therefore, the EFBWW demands that the Commission and the Council launch an extensive program at EU level with a minimum value of 1 % of European Gross Domestic Product for European investment projects that could boost demand and contribute to overturn the depressive spiral in the European economy. The investment program should be co-ordinated with EU Climate Change policy, and focus on European infrastructure and network, as well as on CO₂-positive measures in the industrial sectors. With this approach, employment-creation and positive Climate Change development would go hand in hand. The construction and wood and forestry sectors include key areas where the goals and policies of sustainable development could be implemented.

Equal pay for equal work

In the midst of the financial, economic and social crisis that is now hitting Europe, the European trade union movement is facing a situation where some of the fundamental

¹ When the European Council in December 2008 agreed on an EU-wide economic stimulus of “around €200 billion”, it was said that approximately €170 billion would be the responsibility of the Member States, and €30 billion would be contributions at EU level. These €200 billion is to be compared with the recovery plans of China, €162 billion, of USA, €627 billion, and of Japan, €90 billion. At the European Council meeting of 19-20 March 2009, a decision was taken to provide €5 billion for building energy infrastructure and rural development. Of the €3.975 billion for energy projects, €2.3 billion is to be spent on gas and electricity interconnectors, €65 million for offshore wind projects and €1.05 billion for carbon capture and storage projects. A condition is that the money is spent in 2009 and 2010.

trade union and EC law principles of equal treatment and the demand for equal pay for equal work are threatened by judgments of the European Court of Justice (ECJ), and the refusal of the European Commission to act upon demands from the European Trade Union Movement and the European Parliament.

The four ECJ judgments that are now restricting trade union rights and prohibiting trade unions and Member States the right to demand equal treatment for posted workers are the Viking, Laval, Rüffert and Commission vs Luxembourg judgments. An EFBWW analysis of the European implications of the Laval, Rüffert and Commission vs Luxembourg judgments respectively – those that concern the Posting of Workers Directive – is available in the pictograms below.

The Viking and Laval judgments are damaging because they restrict the right to strike and to take trade union collective action; firstly, by laying down “proportionality principles” with potentially serious economic consequences for trade unions in case of strike actions that would be condemned by a Court; secondly, by outlawing strikes and collective actions to enforce working conditions for posted workers beyond the minimum conditions laid down in the Posting of Workers Directive.

The Rüffert judgment is damaging because it restricts the right for a Member State to lay down social conditions in public procurement concerning posted workers, if these conditions go beyond the nucleus of minimum conditions laid down in the Posting of Workers Directive.

The Commission vs Luxembourg judgment is damaging because it restricts the right of Member States to lay down in legislation working conditions – applicable to domestic as well as foreign posted workers – that go beyond the nucleus of minimum conditions laid down in the Posting of Workers Directive.

The obvious European implication of the four ECJ judgments is the opening-up of the Internal Market for wage competition concerning posted workers. This is a breach of the fundamental principles of equal treatment and “equal pay for equal work in the same territory”, and violates the non-discrimination and equal treatment principles laid down in Articles 39-43 of the EC Treaty, as well as contradicting the principles laid down in other EU policy areas, e.g. concerning gender equality and the equal treatment principle in the newly adopted Temporary Works Agency Directive.

But this is also a breach with the basic principles behind welfare creation and social cohesion, constituting the foundation-stones of the European Social Model. In the two reports from 1956 that provided the basis for the Treaty of Rome – the Ohlin Report and the Spaak Report² – the foundational principles behind European integration were laid down. In the reports, free movement of capital and labour was seen as fundamental for the Internal Market and for welfare creation in Europe. However – and equally a pre-condition for the development of prosperity – wage competition in the same territory should not, according to these reports, form part of the free movement of workers; instead, a host country principle should prevail.

² The Ohlin Report (1956, ILO) on Social Aspects of European Economic Co-operation, and The Brussels Report (1956, The Spaak Committee) on General Common Market

As late as in the 1990s, a number of reports issued or financed by the European Commission concluded that national industrial policies directed at cutting wage costs by using precarious jobs or foreign workers paid less than domestic workers, did not merely violate principles of equal treatment. In addition, they created inefficient economies and less prosperity.³ As in the Ohlin and Spaak Reports, the conclusions were that countries with higher wages and higher levels of productivity need not fear the competition of low-wage countries, due to the difference in productivity. It is vital that this knowledge is not forgotten in the wake of the present economic and social upheaval.

The European Parliament has responded to the ECJ judgments by adopting on 22 October 2008 the Report “Challenges to Collective Agreements in the EU”, in which the Commission is called on to take legislative initiatives to overturn the effects of the judgments. The Report from the Parliament was adopted by a crushing majority of 474 in favour, 106 against and 93 abstentions. This means that an overwhelming majority of MPs in the major political groups, and in both the old and the new Member States, voted in favour of European decisions to overturn the judgments.

To the shock and disbelief of the European trade union movement and the European Parliament, the Commission on 21 January 2009 issued a formal response to the Parliament Report, stating that the Commission did not – for the time being – see the need for legislative actions at the European level, e.g. a revision of the Posting of Workers Directive. Instead, the Commission referred to the discussion on “better implementation” of the Directive and on “further analysis”.

The EFBWW supports the ETUC proposal of a *Social Progress Protocol* to be attached to the Treaties, stating that all free movement provisions of the Treaty must be interpreted in a way which respects fundamental rights, embedding this in a broader concept of Social Progress and the harmonizing upwards of working conditions and social systems.

In addition, and in the short term, the EFBWW is calling for an *urgent revision of the Posting of Workers Directive*. The Directive needs to be revised, since the ECJ judgments have fundamentally altered the meaning of the Directive, transforming it from a Directive laying down minimum conditions to be enforced by the Member States and the social partners – while allowing for a higher protection based on the principle on non-discrimination – into a Directive according to which the Member States and the social partners cannot enforce a higher protection of workers beyond the nucleus of minimum standards of the Directive.

A Revision of the Posting of Workers Directive

The Posting of Workers Directive needs to be revised in the following way:

³ For the construction sector, the so called Atkins Report (1994) can be mentioned: “Strategies for the European Construction Sector – A Programme for Change”. One of the conclusions of the Atkins Report that relates to labour costs and productivity was the following: “The extreme case of Great Britain seems to indicate ... that exceptionally low labour costs are counter-productive and result in higher overall costs.”

- 1) It should be clarified that the “more favourable” clause in Article 3.7 of the Directive is referring to the conditions of the *host state*, ensuring that higher standards than minimum standards can be enforced.
- 2) It should be clarified that both legislative sanctions and collective bargaining, including the possibility to undertake collective action, are legitimate means by which these standards can be enforced.
- 3) The principle of equal treatment and “equal pay for equal work” should be explicitly enshrined in the Directive.
- 4) Recital 22, stating that the Directive “is without prejudice to the law of the Member States concerning collective action to defend the interests of trades and professions”, which was disregarded by the ECJ in the Laval judgment, should be included in a new Directive as a formal exception.
- 5) It should be clarified – taking into account items 1-3 above – that public procurement law is one of the means by which the Directive can be implemented.
- 6) The scope for what can be considered “public policy provisions” (*ordre public*), which Member States can apply in addition to the nucleus of the minimum standards of the Directive, should be broadened.

Although the Commission has set down a High Level Expert Group on Posting of Workers – in which the EFBWW is represented – and is supporting a Social dialogue between ETUC and Business Europe on these matters, the emphasis of the Commission is still on a “better implementation” of the existing Directive, and a “further analysis” of the implications of the ECJ judgments. In addition, the Czech Presidency and the Commission are branding the legitimate trade union demands for equal pay for equal work for posted workers as an instance of “protectionism”.

Consequently, there is an urgent need to put more pressure on the Commission to act upon the demands from the trade union movement and the European Parliament. The EFBWW has in an article published in *European Voice*, as well as in several national papers, stated the demands related to this issue. The article is co-signed by the ETUC, the European Metalworkers Federation, the European Chemical Workers’ Federation, the European Transport Workers’ Federation, the European Textile Workers’ Federation and the European Food, Agriculture and Tourism Federation. The article concludes in the following way:

“What the European Commission and the Heads of State of the European Union obviously fail to realise and acknowledge, is that the fragile equilibrium of the European social contract has been shattered by case-law of the ECJ.

Therefore, we are pressing all Commissioners, the President of the Commission and candidates to the European Parliament to favour the principles of equal pay for equal work and the autonomy of trade unions and of collective bargaining – including the fundamental right to strike – as the cornerstones of a Social Europe. We want candidates to elected office at the European Parliament or to the Commission to favour the reversal of the case-law of the ECJ through the revision of the Posting of Workers Directive and the inclusion of a Social Progress Protocol as an annex to the EU Treaties.

The time has come to introduce the principles of Parliamentarianism and of Representative Democracy in the European Union, when appointing the next Commission. The time has come to stand up for the principles of Social Europe. The time has come for a change in the direction

of European policy, putting principles of equal treatment, as well as employment and welfare creation, in the forefront when fighting the effects of the financial, economic and social crisis.”

Fighting the de-regulation of Health and Safety legislation

Both the construction and the woodworking sectors are still high risk sectors. In spite of all efforts during the last two decades, the number of occupational accidents remains at a high level in both sectors. Traditional health hazards in general remains high too, often resulting in chronic health problems and occupational diseases. Additionally, new hazards like varying forms of psycho-mental stress and new chemicals substances, used for the most different applications, are jeopardising workers' health and could act as time bombs.

Against this background, we consider the European Commissions' New Strategy for Safety and Health at the workplace as defensive and insufficient. Even though the Commission fairly precisely describes the negative effects of the rising number of precarious employment contracts and emerging new health and safety risks, the proposed measures, as laid down in the new strategy, are far from ambitious. Especially worrying is the ongoing debate on the “simplification” of the European legislative framework, which in practice means a de-regulation of essential health and safety standards. Two recent examples of this tendency are coming from the so called “Stoiber Commission”, with an expected proposal to water down the requirements of the Framework Directive on Health and Safety (89/391) as well as the Construction Site Directive (92/57).

The EFBWW strongly opposes this tendency of de-regulation in the area of occupational health and safety. Healthy working conditions are a fundamental right for all workers in all forms of employment. It is a basic condition for avoiding occupational accidents, occupational diseases and impairment of health. It is the basis for personal development, creativity and productivity. Furthermore, it is an essential basis for sustainable social protection systems.

Therefore, we are calling on all candidates for the new European Parliament to prioritize activities for better working conditions during the next legislative period. In the health and safety area, the EFBWW wants to enforce the legislative basis as well as fostering an appropriate practice. In this connection we consider the Parliament's resolution on the new Communities strategy on safety and health at work as a point of reference. Focusing on the construction and wood-working sectors, the EFBWW sees the following obvious priorities for the next years.

Asbestos

Another example of the political tendency to de-regulate health and safety in the EU, is the recent decision to prolong the exemption from the ban of asbestos. The ongoing possibility of using material containing asbestos (which was produced before 2005) means that especially workers in the construction industry will remain in danger of being exposed to this killing substance. On 20 February 2009, an annex to the REACH Regulations was approved, meaning that electrolysis plants already using asbestos diaphragm cells will be allowed to keep on using asbestos. The derogation applies to

factories in Germany, Poland, Sweden and Bulgaria. This EU policy of derogation obviously clashes with the EU support for a global asbestos ban.

Since asbestos is still a daily companion in our environment, we need appropriate actions to protect workers, consumers and others that are in danger of being exposed to asbestos. We call on all candidates for the new European Parliament to take a clear position in favour of a total ban of all kinds of asbestos in Europe, but also world-wide. In this connection, we would like to remind you of the Parliament's resolution regarding the Commission's new Strategy on Health and Safety at the Workplace. In its recital no° 36 the Parliament is asking for national action plans targeting the hazards of existing asbestos, used in the past in buildings, ships and other products.

§ In this regards, we urgently need a European plan for dealing with existing sources of asbestos.

§ Additionally, we call on all EP-candidates to take a position against all exceptions from the general ban of using asbestos in Europe.

Occupational diseases

In the above-mentioned resolution, the European Parliament asks the Commission to seriously consider the possibility of changing the character of the European list of occupational diseases, from a Recommendation into a Minimum Directive.

Giving this proposal more impetus should be one of the main targets of the new Parliament. The number of workers in Europe suffering from occupational diseases is much higher than the number of victims of occupational accidents. Beside this, occupational diseases mean public spending – billions of euro annually – for inadequacies in working conditions.

Taking also into account that common technologies, work processes and materials make working conditions more and more comparable in Europe, occupational diseases become “Europeanized”. A European minimum list of occupational diseases would be a first step for equal treatment in this area.

Workers' participation

Since well-being at the work place concerns the very basic of the individual right of personal inviolability, working conditions must be an area of collective and individual co-determination. Within the Framework Directive (89/391 EC) and the single directives on occupational safety and health, specific rights of workers (collectively and individually) are laid down, including aspects of training, information and consultation. Again we would like to refer to the Parliament's resolution (item 7a) which also underlines this position.

However, participation at the workplace remains a matter of dispute not only at company level but also in the political arena. Therefore, the new Parliament should take a clear stance for workers' participation in modern systems of industrial relations. Participation is not only vital for finding acceptable compromises but also influences the quality of the solutions and consequently productivity, job satisfaction and the capacity for innovation.

The European Parliament therefore should emphasize the need for workers' participation in occupational safety and health, and should propose stronger regulations regarding the participation of workers (collectively and individually), in all directives concerned. An important example of the need for workers' participation relates to all aspects of risk assessment, according to Article 6 of the Framework Directive (89/391)

Funding health and safety improvement

To achieve progress in improving working conditions, it is crucial to fund activities at European level. The EFBWW therefore calls on new MEPs to work for the setting up of a proper financial basis for programmes and specific actions regarding the improvement of health and safety conditions at the workplace. This should include a holistic programme, including scientific activities (e.g.. chemicals or new hazards), research in better technologies (e.g. ergonomic), support for specific conditions (e.g.. SMEs), action plans (e.g.. asbestos). In the long run, money spent in this area will be reinvested, in public measures as well as private ones, and will have a general positive impact not only on health and safety, but also on public and corporate finances.

Green jobs and Green Public Procurement

It goes without saying that *job creation* and *Climate Change policies* are two areas which today are of very high importance and closely linked to each other, especially from the viewpoint of the trade union movement, including the EFBWW.

The initiative taken by the European Commission by its Communication of 16.7.2008 on "Public procurement for a better environment" (Green Public Procurement-GPP) is of course welcomed by the EFBWW. However, it has to be deplored that the goal set to reach a 50% green public procurement is not ambitious enough. In totality public procurement represents an annual turnover of about €2000 billion or some 16% of the EU Gross Domestic Product.

It is internationally recognised that GPP, which is including innovation in eco-technologies (and Climate Change positive measures), is having the potential of a high-growth sector, meaning the creation of *green and better jobs*.

In view of the recovery plans and stimulus packages already referred to in this Manifesto, and which are also partially linked to public procurement, the goal set of 50% GPP should, according to the EFBWW, be substantially raised in order to create more jobs in comparison to traditional public procurement, and at the same time supporting EU Climate Change objectives.

The EFBWW is of the opinion that both the construction industry and the wood/forestry industry have a high potential and willingness to contribute to the process of more GPP, and thus creating more jobs.

One initiative already taken, related to Green Jobs creation, is that the European Parliament's Industry Committee on 31 March 2009 supported a proposal from the Romanian MEP Silvia-Adriana Ticău to amend the 2002 Energy Performance of Buildings Directive. The MEPs called for more public investment in energy-efficient

buildings, increasing the ceiling of how much Member States can spend from the European regional development fund on energy-efficiency improvements in buildings to at least 15% – and extend this to all Member States.

The proposal will upgrade the Climate Change performance of existing buildings, and is estimated to bring up to 500 000 new jobs in the long run, mostly in the construction sector. The draft will be voted on in the plenary session of the European Parliament in May, and negotiations with the Council of Ministers will take place during the Swedish presidency during the second part of 2009.

In the wood and forestry sector, Green Jobs could be created e.g. by putting even more emphasis on sustainable forest management, and by the EU taking the absolute lead in combating illegal logging worldwide. A March 2009 report of the Food and Agriculture Organization of the United Nations is estimating that only through sustainable forest management some 10 million new and Green Jobs could be created. The effects on the creation of new jobs on the rest of the “chain of custody wood” will even be more important.

The United States has included forestry in its economic stimulus plan. The EU and the Member States should do the same.

Social responsibility of main contractor

The practice of long chains of sub-contracting, often leading to abuses of workers’ social rights, is wide-spread in the EU. The EFBWW has been calling for a legal instrument at EU level that would bring about a higher level of social responsibility for the main contractor, limiting the possibilities of social abuses through extensive sub-contracting. Such a legal instrument would lay down the social obligations of the main contractor, with regard to domestic as well as foreign sub-contractors, while at the same time respecting the different legal systems in the Member States, and the principle of subsidiarity.

A first step towards an EU instrument in this matter was the adoption on 10 February 2009 in the Parliament’s Employment Committee of the Report drafted by the Finnish MEP Lasse Lehtinen. The Report calls on the Commission to launch an assessment of the feasibility of an instrument on chain liability as a way of increasing transparency in the sub-contracting process. The scope of such an instrument could cover at least wages, social security contributions, taxes and damages in relation to work-related accidents.

False self-employment

The discussion on the impact of false self-employment on EFBWW industrial sectors has a long history. In the EU-financed Atkins Report from 1994, it was concluded that the extensive use of false self-employment in an industry does not merely have dire social consequences for the workers concerned – insufficient social security funding – but also creates an inefficient industry, due to lack of incentives for training of workers and for productivity-enhancing measures.

The EFBWW strongly condemns the use of false self-employment as a means of depriving workers of social protection and of cutting wage costs. The EFBWW calls for a European legal instrument to combat the activities of gang-masters of illicit employment. However, due to the variety of definitions of the concepts of “employment” and “self-employment” in the Member States, the legal discussion on how to combat the phenomenon of false self-employment at EU level is complicated.

According to the EFBWW, a first step of combating the *spread* of false self-employment from one country to another should be the overturning of the so called Banks Case judgments in the European Court of Justice.⁴ This judgment states that it is the definition of the country-of-origin that determines whether a person is considered to be employed or self-employed when working in another Member State. Since this judgment makes it possible to “export” false self-employment, the EFBWW is calling for a reversal of the judgment. As in the case of posted workers, a *host country principle* should prevail, meaning that the demarcation-line between an employed and a self-employed worker should be determined by the law and practices of the state where the work is being carried out.

Annex 1: Stimulus packages in major EU Member States in February 2009



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⁴ C-2/05 (26 January 2006)

“Stimulus packages in major EU Member States”.

Source: David Saha & Jakob von Weizsäcker
“Estimating the size of the European Stimulus Packages for 2009 – an Update”,
Bruegel, Brussels

Annex: Member state and community-level breakdown
Belgium

The Belgian stimulus was announced on 11th of December.

	€ bn	% of GDP
Additional fiscal spending:	1.24	0.35%
Additional credit + similar measures	2.13	0.60%

Category	Measure	Net amount (€ bn)
Tax cuts	Measures for construction sector ⁴	0.30
	No tax on credit insurance	0.02
Extra spending	Higher unemployment pay ⁵	0.10
	Energy subsidy to households ⁶	0.14
	Higher social security allocations ⁷	0.51
	Investments into green technology	0.02
	Larger fund for energy cost reduction ⁸	0.01
	Accelerated public investments	0.12
Extra credit + similar measures¹⁰	Lower cost of using food safety agency ⁹	0.03
	Participation funds (for SME credit) ¹¹	0.30
	Measures for companies facing liquidity problems ¹²	0.44
	Lower tax retention ¹³	0.23
	Amount of tax retention to be kept at company	0.04
	Indexation of taxes taken into account in tax retention	1.12

⁴ Largely VAT cuts for construction work.

⁵ Temporary measure for 2009 only.

⁶ Each Belgian household shall receive an energy voucher over € 30.

⁷ Contains the “welfare envelope” and additional welfare measures taken in the 2009 budget.

⁸ This figure represents the budgeted costs for enlarging the fund.

⁹ Lower fees to be charged to industry clients.

¹⁰ More access to financing instruments for export, import and investment risks is also planned through the “Ducreire”, but no additional budget or credit impact is quantified since existing resources are to be better utilised.

¹¹ New product “INITIO” largely designed to offer credit to SMEs.

¹² Consists of measures to allow later payment of bills and of debts to the government.

¹³ These last three measures apply to tax retention only, not to the final amount of taxes paid by firms and are thus the economic equivalent of an interest-free loan.

Denmark

No package according to our criteria (but budgetary expansion of 0.4% of GDP already decided in 2007 comprised of higher EITC and higher threshold for the middle income tax bracket). Stimulus-related measures may be announced in February according to current information.

Germany

	€ bn	% of GDP
Additional fiscal spending:	35.83	1.40%
Additional credit + similar measures	70.30	2.74%

Category	Measure	Net amount (€ bn)
Tax cuts¹⁴	Degressive depreciation deduction	1.94
	Higher tax-free allowances for companies	0.24
	Suspension of car tax on new vehicles ¹⁵	0.44
	Tax deductibility of professional commute ¹⁶	5.00
	Package for tax burden reduction, stabilisation of social security contributions and investment in families ¹⁷	6.00
	Income tax cut ¹⁸	2.90
	Reduction in health insurance contributions ¹⁹	3.00
	State payment of 50% social insurance for short-time workers	1.25
	Reform of car tax ²⁰	0.17
Extra spending	Investments into transport infrastructure ²¹	1.00
	Longer eligibility for short-time compensation	0 ²²
	Improvement of regional economic structure ²³	0.20
	Infrastructure investment programme ²⁴	8.65
	Innovation support programme	0.45
	Retraining and stronger job service	0.95
	Increased child benefits ²⁵	2.15
	Premium for new car purchases ²⁶	1.50
Extra credit + similar measures	CO2-friendly renovations of houses	2.80
	Additional credit for SMEs	15.00
	Credit for infrastructure investment by municipalities in structurally disadvantaged regions	1.50
	Corporate innovation and energy efficiency credit	1.00
	Additional guarantees and credit lines for larger enterprises ²⁷	50.00

¹⁴ The deductibility of construction work from the personal income tax will only have fiscal effects in 2010 and thereafter.

¹⁵ This includes an extended car tax holiday for cars fulfilling strict ecological criteria.

¹⁶ "Pendlerpauschale" was reintroduced, valid retroactively from 2007, by a constitutional court ruling. Since the Federal Ministry has announced it will not re-finance these expenditures, these payments work as a stimulus. Only repayments for the years 2007 and 2008 are considered here since the 2009 deduction will only be paid out in 2010.

¹⁷ Mainly higher childcare benefits, tax deductions based on the number of children and lower employee contributions to unemployment insurance. The total amount is in effect a mix of cuts in taxes and social security contributions and additional spending.

¹⁸ Takes effect on July 1st, 2009. Consists principally of a higher standard deduction and lower bottom rate.

¹⁹ Takes effect on July 1st, 2009. Benefits both employers and employees equally.

²⁰ Only administration costs are budgeted so far

²¹ Acceleration of planned projects already in the pipeline.

²² Costs of this measure remain unclear, not least due to interactions with other social insurance systems, but will only to a very limited extent fall into 2009.

²³ Of which € 100 million are paid in cash and another € 100 million in commitment authorisations.

²⁴ Total volume of € 17.3 bn allotted for 2009-2010. The German government maintains that at least 50% of this sum will be spent in 2009.

²⁵ Consists of a one-off lump-sum payment to all families eligible for child benefits plus higher child care components of social security benefits

²⁶ The premium is paid conditional on buying an energy-efficient car and selling an old car for demolition.

²⁷ We assume that a maximum 50% of the € 100 bn total volume will be used in 2009

Ireland

Ireland is planning a neutral cyclically adjusted budget: Automatic stabilisers will be allowed to work, but no further anti-cyclical fiscal policies will be enacted.

Greece

	€ bn	% of GDP
Additional fiscal spending:	0.00	0.00%
Additional credit + similar measures	23.00	0.89%

Category	Measure	Net amount (€ bn)
Additional credit + similar measures	Special government bond issue to supply SME credits and mortgage loans ²⁸	8.00
	Loan guarantees	15.00

²⁸ Although this will show up in the budget as government deficit, its effect is to provide extra credit at low interest rates.

Spain

	€ bn	% of GDP
Additional fiscal spending:	12.31	1.10%
Additional credit + similar measures	54.28	4.86%

Category	Measure	Net amount (€ bn)
Tax cuts	Longer tax-exemption of saving accounts for housing purchases even if no house is bought	0.03
	Extended eligibility for tax deductions when selling houses	0.10
	Reduction in employer social contributions for hiring previously unemployed workers	0.08
Extra spending	Employment Plan ²⁹	1.10
	Public Investment Fund ³⁰	8.00
	Sector specific support ³¹	3.00
Extra credit + similar measures	Option to temporarily halve mortgage repayments ³²	2.50
	Credit for enterprises and families ³³	42.00
	Deductions for low-income families ³⁴	2.00
	Early payment of unemployment benefits ³⁵	0.08
	Up front tax deduction for housing ³⁶	1.70
	Earlier repayment of VAT reclaims	6.00

²⁹ Yet undefined plan to be comprised of active labour market measures and temporary employment schemes.

³⁰ Allocated to municipalities for subcontracting public works.

³¹ Although officially called sector-specific, this package contains both sector specific and cross-sector support. € 800 million earmarked to support the car industry, remainder to be spent on environment (€ 600 million), research and innovation (€ 500 million), a new care component of the welfare state (€ 400 million), housing renovations and sustainable tourism

³² This measure allows homeowners in economic hardship only to pay half of their mortgage instalments for two years, effectively an option to restructure mortgage debt to allow slower repayment.

³³ Provided by the government-owned ICO bank (Instituto de Crédito Oficial). 7 bn were already made available in 2008.

³⁴ Timing change: rather than being repaid at a later moment in time as previously practised, the deductions will now be applied before the initial tax payment.

³⁵ Economic equivalent of an interest free loan.

³⁶ Economic equivalent of an interest free loan.

France

	€ bn	% of GDP
Additional fiscal spending:	16.90	0.80%
Additional credit + similar measures	41.45	2.08%

Category	Measure	Net amount (€ bn)
Tax cuts ³⁷	Reduced obligation to contribute to social insurance conditional on new hiring, for very small firms	0.70
Extra spending	Direct public investment (government and local government) ³⁸	6.50
	Sectoral subsidies: housing industry, subsidies to building, renovation, buyers and renters.	1.20
	Sectoral subsidies: car industry	0.60
	Increased payment to the endowment for the basic income provision ³⁹	0.80
	Employment policies	0.50
	State-owned enterprises investment	4.00
Extra credit + similar measures	Social package ⁴⁰	2.60
	Credit for PPP projects ⁴¹	8.00
	Loans and guaranteed loans to SMEs	22.00
	Loans to social housing construction	4.50
	Faster implementation of research tax credit and profit tax reimbursement ⁴²	5.60
	Change of VAT reimbursement mechanism ⁴³	3.60
Higher down-payments on public procurement projects ⁴⁴	1.00	

In the absence of further information, the planned additional investments by state owned enterprises are assumed to be in addition to existing investment plans.

³⁷ A further measure of changing the accounting rules for capital depreciation will only lead to budgetary effects in later years.

³⁸ Most of these investments were originally planned for after 2010 and are now overwhelmingly to take place in 2009.

³⁹ 'Revenu de solidarité active'

⁴⁰ Additional package announced by President Sarkozy on 18th February, containing tax cuts, higher compensation for employees on short-time and one-off payments to people recently made redundant and without claim to unemployment benefits. Without precise information on the budgetary effect, we expect the money to be fully spent in 2009.

⁴¹ We expect 50% of the total volume of €16 bn for 2009-2010 to be implemented in 2009.

⁴² Economic equivalent of an interest free loan.

⁴³ Economic equivalent of an interest free loan.

⁴⁴ Economic equivalent of an interest free loan.

Italy

	€ bn	% of GDP
Additional fiscal spending:	-0.26	-0.02%
Additional credit + similar measures	0.00	0.00%

Category	Measure	Net amount (€ bn)
Tax cuts	No increase of highway toll	0.09
	Tax cut for productivity bonuses ⁴⁵	0.46
	Deductibility of corporate tax from regional corporate tax	1.19
	Deferred VAT payments ⁴⁶	0.19
	Municipal infrastructure investment	0.00
	Voluntary revision of company book values ⁴⁷	-2.76
	More tax inspections	-1.88
	Tax inspections of private associations	-0.15
	Increased taxation of TV services	-0.47
Extra spending	Spending on low income families	2.40
	Aid to house mortgages	0.35
	Unemployment benefits	0.10
	Financing of strategic infrastructure	0.06
	Increased tax revenue costs	0.05
	Renewal of school cleaning contracts	0.11

⁴⁵ Less income tax paid on bonuses based on productivity criteria.

⁴⁶ Loss of revenue from later payment of VAT by companies will lead to a marginal tax revenue losses as some firms will have gone bankrupt before paying up their tax liabilities.

⁴⁷ Presumably in response to intensified enforcement efforts.

Netherlands

	€ bn	% of GDP
Additional fiscal spending:	3.20	0.53%
Additional credit + similar measures	0.00	0.00%

The total size of the Dutch package has been quantified as € 6 bn, 1% of GDP. Since other proposed measures such as the accelerated payment of public sector bills and active labour market policies have not been allocated money yet, we cannot take these into account.

Category	Measure	Net amount (€ bn)
Tax cuts	Accelerated depreciation of investments	1.10
	Tax cuts for SMEs	2.00
Extra spending	Unemployment benefits (working hours reduction)	0.20

Austria⁴⁸

	€ bn	% of GDP
Additional fiscal spending:	3.93	1.35%
Additional credit + similar measures	2.50	0.86%

Category	Measure	Net amount (€ bn)
Tax cuts	Early implementation of income tax reform	2.20
	Degressive depreciation deduction	0.23
	Reduced VAT rate on medication	0.28
	Tax exemptions	0.14
	Burden reduction for families with children ⁴⁹	0.50
Additional Spending	Regional employment initiatives ⁵⁰	0.08
	Spending package, September 2008 ⁵¹	0.40
	Additional research expenditure ⁵²	0.05
	Mandatory kindergarten year for all	0.07
	Energy saving cheques ⁵³	0.10
	Investment in public facilities ⁵⁴	0.02
	Advancing of railroad investments	0.01
	Subsidies to house saving scheme	0.02
	Investments into broad-band internet infrastructure	0.01
"Mittelstandsfonds" - venture capital fund for SMEs	0.08	
Extra credit + similar measures	additional erp credits	0.20
	credit guarantees for SMEs	0.40

⁴⁸ We include measures agreed on by the new government but not yet formally adopted by parliament.

⁴⁹ Contains different forms of tax deductions for families with children.

⁵⁰ Supporting corporate investments with employment effect and continuing education measures.

⁵¹ Consists of abolition of university tuition fees, increase of care benefits and pensions and extension of business internationalisation support

⁵² To be spent directly on programmes and projects.

⁵³ Incentive programme for households to engage in energy-saving investments.

⁵⁴ investments into buildings and other real estate owned by the BIG, the state-owned real estate group.

Poland

	PLN bn	% of GDP
Additional fiscal spending⁵⁵:	6.80	0.49%
Additional credit + similar measures	21.50	1.56%

Category	Measure	Net amount (PLN bn)
Extra spending	Increased co-financing of EU structural funds projects	6.80
Extra credit + similar measures	New SME credit line	20.00
	Investment in renewable energy from national fund for environmental protection	1.50

Sweden

	SEK bn	% of GDP
Additional fiscal spending:	12.13	0.38%
Additional credit + similar measures	95.46	3.01%

Category	Measure	Net amount (SEK bn)
Tax cuts	Tax deduction for house renovations, conversions, maintenance	3.60
Extra spending	Increased employment service (active labour market policy)	4.70
	More vocational education	0.50
	R&D in automotive sector	3.00
	Additional infrastructure investment	0.33
Extra credit + similar measures	Higher export credit guarantees ⁵⁶	75.00
	Deferment of tax payments by companies	0.46
	Credit guarantees for car sector	20.00

⁵⁵ Other components of the Polish stimulus plan as published by the Polish government are not included here since they were already part of the budget, ie decided before our cut-off date 1st September 2008 (income tax and VAT reforms). PLN 40 billion in guarantees of bank liabilities are part of a financial sector bailout and thus also not considered here.

⁵⁶ An increase in the ceiling for export guarantees by SEK 150 bn was approved. We assume only 50% of that additional volume will be used in 2009.

United Kingdom

	GBP bn	% of GDP
Additional fiscal spending⁵⁷:	14.90	1.01%
Additional + similar measures	0.00	0.00%

Category	Measure	Net amount (GBP bn)
Tax cuts/increases	VAT cut ⁵⁸	12.50
Extra spending	Accelerated capital expenditure ⁵⁹	2.40
	Mortgage rescue and support for Mortgage Interest Schemes for eligible homeowners in difficulty ⁶⁰	0.00
Extra credit + similar measures	Credit guarantee programme ⁶¹	20.00

⁵⁷ A new top rate of 45% of the personal income tax much discussed recently will only be introduced in 2011.

⁵⁸ Cut from the previous standard rate of 17.5% to the European minimum standard rate of 15% until end 2009.

⁵⁹ GBP 3 bn shall be brought forward for spending during the 2008-2009 and 2009-2010 fiscal years. Our figure assumes a start of spending in January 2009 and uniform distribution of spending until March 2010, thus yielding GBP 2.4 bn of spending during the 2009 calendar year.

⁶⁰ Has not been quantified yet.

⁶¹ Only the GBP 20 bn of additional credit guarantees approved on 14th of January 2009 qualify as additional credit, whereas the numerous measures taken on 19th of January we classified as bank bailouts and thus did not include.

Community level

	€ bn	% of GDP
Additional fiscal spending:	9.30	0.07%
Additional credit + similar measures	15.500	0.12%

Category	Measure	Net amount (€ bn)
Extra spending	ESF spending forwarding	1.80
	Plan to spend budget reserves on energy and internet infrastructure ⁶²	2.50
	Forward structural funds spending	4.50
	Accelerated call for trans-european transport projects (TEN-T)	0.50
Additional credit + similar measures	Additional EIB loans to SMEs and Mid-caps	3.50
	EIB convergence lending	2.50
	EIB flexibility reserve	3.00
	Climate change financing by EIB	6.00
	EBRD additional credit for green and infrastructure investment	0.50

⁶² € 5bn in 2009-2010. We assume 50% of the spending to occur in 2009.

US

	\$ bn	% of GDP
Additional fiscal spending:	284.78 ⁶³	1.99%

The US stimulus package, that is, the American Recovery and Reinvestment Act signed by President Obama on 17th February, has a total volume of \$787 bn. Consistent with our general methodology, we only take into account the effect of spending and tax cuts in 2009. For this purpose, we make use of the expenditure profile of the stimulus calculated by the Congressional Budget Office⁶⁴, which estimates about \$ 285 bn to be spent in 2009, the package's effect to be concentrated on the period of 2009-2011 and having significant fiscal effect until as late as 2015.

Category	Measure	Net amount (\$ bn)
Tax cuts	Tax cuts	122.72
Extra spending	Spending package	162.05

Category	Measure ⁶⁵	Net amount (\$ bn)
Tax cuts	All tax provisions	122.72
Extra spending	Agriculture, Rural Development, Food and Drug Administration and Related Agencies	7.70
	Commerce, Justice, Science and Related Agencies	3.79
	Department of Defense	2.21
	Energy and Water Development	5.51
	Financial Services and and General Government	1.01
	Homeland Security	0.65
	Interior, Environment, and Related Agencies	2.04
	Departments of Labor, Health and Human Services, and Education, and Related Agencies	16.26
	Legislative Branch	0.01
	Military Construction and Veterans Affairs and Related Agencies	0.84
	State, Foreign Operations and Related Programs	0.14
	Transportation and Housing and Urban Development	8.67
	State Fiscal Stabilisation	58.50
	Assistance for Unemployed Workers and Struggling Families	37.57
Health Insurance Assistance	16.60	
Health Information Technology	0.46	
Assistance for Unemployed Workers and Struggling Families	0.11	

⁶³ Due to the difference between US fiscal years and the calendar years, we adjusted the figure accordingly.

⁶⁴ *Cost estimate for the conference agreement for H.R.1*, Congressional Budget Office, 2009

⁶⁵ The breakdown follows the item structure of the act.

People's Republic of China

	RMB BN	% of GDP
Additional fiscal spending⁶⁶:	2,065.00	7.09%
Additional credit + similar measures	0.00	0.00%

Due to the very limited availability of authoritative data on the Chinese economic stimulus, these numbers must be seen as a reasonable scenario, not as a definitive assessment of the Chinese stimulus. In particular the spending profile of the main RMB 4 tr stimulus is unclear. There are also questions regarding the relation between the 'main stimulus', sectoral support plans and the VAT cut that we were unable to answer definitively. We interpret the latter as being additional to the main stimulus, which is the likeliest interpretation given present information.

Category	Measure	RMB bn
Tax cuts	VAT cut ⁶⁷	60.00
Extra spending⁶⁸	Car sector support ⁶⁹	5.00
	Main stimulus package ⁷⁰	2000.00

Components of the main stimulus package, 2009-2010

Type	amount, RMB bn
Affordable housing	280
Rural infrastructure and housing	370
Healthcare, education and culture	40
Bio conservation and environmental protection	350
Post-disaster reconstruction	1000
Transport infrastructure (rail, road, airports)	1800
Technical innovation, industrial restructuring	160
Sum	4000

⁶⁷ The fiscal effect of the VAT cut has been quantified as RMB 120 bn over 2009 and 2010, we assume 50% of it accrues in 2009.

⁶⁸ More sectoral support plans are likely to be announced during the year. The effect of an already adopted plan for the real-estate sector has not yet been quantified.

⁶⁹ RMB 15 bn in subsidies for technological research and modernisation of agricultural machinery over 3 years. The effect of halving the sales tax on small cars has not been quantified to date.

⁷⁰ We assume that the stimulus spending will be uniformly distributed over 2009 and 2010, the official timeline given for this stimulus.