

ECON Hearing on ECB staffing matters - 26/10/2016

Speaking notes of Carlos BOWLES – ECB Staff Committee Spokesperson

Thank you for taking the time to hear us today. As you can imagine, we are very much honoured to be here with you, and, also speaking on behalf of the ECB staff, we are all very grateful for the work you do to bring some accountability to the ECB. Indeed, the ECB is a very powerful institution, whose decisions have a large influence on the lives of hundreds of millions of European citizens, yet it operates in full independence, which means independently of the elected representatives of these citizens, and as you are the ones representing them, and as the ECB is ultimately working for them, it is crucial that the actions of the ECB are not kept completely outside of your scrutiny.

So far, the main focus of your scrutiny was understandably on what is happening outside the ECB, that is looking at the policies and decisions it was taking, and today we are starting to look inside the ECB, and it is clearly a very good thing to do as what you see outside is of course determined by what is happening inside. As staff representatives, we are for that reason very keen to do as much as we can to help you doing that job, and provide you with a perspective that will complement the one you receive from those who are in power at the ECB.

To start with, I think one needs to step back a bit and understand that, for ECB staff, the ECB is more than an employer, because it does not only provide them with a job, but also with a social security, like a pension system, an unemployment benefit system, a medical coverage system, and a legislation system. This comes from the extra-territorial nature of the ECB. The ECB is hosted in Germany, however, due to its independence German law is not applicable within the ECB when it comes to labour law. On that basis, the ECB is the one who legislates, and decides on a number of laws that are in our democratic European member states decided upon by elected representatives like you. At the ECB, laws are decided upon by unelected technocrats like our Governors or our Executive Board members, and in a number of cases they involve restrictions put on our fundamental rights, for instance when it comes to deciding on what ECB staff can do outside work and what they cannot do, their right to talk to the media, or to go on strike, etc. This is what we called the internal side of ECB's democratic deficit, and it has the consequence that ECB staff are in a situation of great dependence towards their employer, and this of course impacts the way the ECB operates. We all know since Montesquieu that concentration of power means risk of abuses, and at the ECB what we can say is that the concentration of power is very high.

There are many dimensions where the large powers are problematic, and I could touch upon the issue of high workload and stress, burnout risks, the imbalances of our disciplinary procedures, etc. However, due to limited time I will only touch on two examples, but very important ones, namely the precarious nature of ECB staff contracts, and the role of favouritism and personal ties in recruitment and promotion.

Turning first to contracts, the ECB has opted to deviate from the European social model of permanent contracts, and is offering in principle only termed contracts to its new staff. It takes years before these termed contracts can be converted into permanent contracts, if at all. To give a global picture, we have about 4500 people working at the ECB (under different contract types, not all of them ECB staff contracts), and only about 1300 of them have a permanent contract. Job insecurity is therefore very high compared both to public organization benchmarks but also to the private sector. Once you realize that losing your job means losing your social security, having to relocate, which means your partner also needs to find another job, change the education system of your kids, then basically you understand that the incentives are not great within the organization to speak out and challenge the perspective of management. And if you connect that to the role of an expert based

organization, which is to have experts filtering the information received from a data-rich world and compiling it so that the decision-makers are provided with a global picture, for them to take their decisions on a best informed basis, then you realize that this function cannot operate adequately if there is a filter which only allows positive messages to pass upwards, and this is of course impacting the operational side for instance by increasing the risk to miss early indicators of financial crises coming.

Turning now to the question of career of the staff, which is likely the second thing a worker cares after his job, then the concentration of powers at the ECB has developed into a situation where 80% of the respondents of our latest staff survey have expressed concerns about the role of favouritism and personal ties in recruitments and promotions. This is again not only a matter of fairness, but also has an operational impact, as favouritism means wrong candidates will be put in the wrong jobs, and wrong decisions might be taken. Also, if those with hiring powers hire those who are close to them, this is also creating group-thinking issues, and these have been recognized to have been one factor explaining why the crisis was missed (for instance by the Bank of England). The role of personal ties in appointments and promotions also creates a risk of capture of the institution by private interests or national interests. In fact, independent research has shown a statistically significant correlation between the nationality of the Executive Board members and the nationality of the management they appoint, and that this could be associated to national biases in the monetary policy decisions. Fundamentally, when one realizes that the main reasons for granting independence to the ECB was to have decision-making reflecting expertise and European interests, one also realizes that this independence cannot be overstretched without side effects, which is why we need to balance it by counterpowers and scrutiny from elected representatives.

Now, as long as we stay within the independence model, there is some limit to the control that you will be able to exert internally, and the ECB's operation will remain impacted by the large imbalance of power. And this is where we believe that ECB staff representative can play a role, and complement your own action, as we are de facto a counter-power – and I dare to say: the only one - at the ECB. Our role is to pass negative messages, and even if negative messages from the staff reps are not a nice thing to hear when you are at the top of an organization, it is an important thing that they can be passed, as identifying what goes wrong is a necessary condition to learn and improve.

In order for us to adequately carry out our role, we need to be well equipped. And here, again, I should note that the ECB has used its legal prerogative to deviate from the European social model of staff participation in decision-making. The ECB operates in Germany but does neither recognize nor value *Mitbestimmung* or negotiation. We are not even allowed to talk to the Executive Board and Governing Council when they decide on staff matters: our views are presented by the HR department themselves. We are only consulted, and very often ignored: a situation that we refer to since many years as the “consult and ignore” procedure.

For that reason, if we want to play our role of counterpower for the European citizens, we need to increase the participation mechanisms at the ECB and bring more balance to its large powers. This is, again, not only for the sake of the ECB staff, but for the own good of the institution and of the European citizens that have elected you. And this is where we would like to ask for your support in achieving this. And I will now leave the floor to the President of IPSO, Johannes Priesemann, who will provide you with some ideas of what you can do.