

# [Introductory statement of Gabriel Bernardino at hearing of the ECON Committee](#)

Today Gabriel Bernardino, Chairman of the European Insurance and Occupational Pensions Authority participated in a hearing of the Economic and Monetary Affairs Committee of the European Parliament.

In his [introductory statement](#), Mr Bernardino touched on the steps taken to mitigate the impact of COVID-19, the broader implications for EIOPA's supervisory work and the role for insurance and pensions in the recovery.

[Read the statement](#)

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## [Time to move: EU-OSHA launches campaign to address Europe's most common work-related health problem](#)

Despite legislation and initiatives aimed at preventing them, **around three in every five workers suffer from MSDs and they remain the most common work-related health complaint in Europe, affecting workers in all jobs and sectors.** Repetitive movements, prolonged sitting and heavy lifting are just some of the risk factors that contribute to these conditions, which can affect the muscles, joints, tendons or bones. The negative impact that they have on workers' quality of life is clear.

At a press conference in Brussels to mark the official launch of the campaign, **Nicolas Schmit, European Commissioner for Jobs and Social Rights**, highlighted the urgent need to take action:

The Commission wholeheartedly supports the campaign launched today by the European Agency for Safety & Health at Work (EU-OSHA) to tackle the issue of work-related musculoskeletal disorders. Ensuring the best possible work environment is critical for the health and wellbeing of the workforce, and therefore a duty of all employers. Many of us – 3 in 5 – have experienced backache, stiff muscles or a sore neck as a result of our work. This can severely affect our everyday lives, our productivity, and it can be detrimental to our physical and mental health. With the pandemic affecting how we live and work, we can all benefit from the

guidance and resources published today.

The success of the campaign depends on the dedication of **EU-OSHA's extensive pan-European networks** – [national focal points](#), [official campaign partners](#), [media partners](#) and the [Enterprise Europe Network](#) – who will promote the campaign and its messages across Europe, particularly among micro, small and medium-sized enterprises.

The **support of social partners and European institutions** is also invaluable, with the German Presidency of the Council of the EU recognising the need to act on MSDs and pledging its commitment. **Hubertus Heil, German Federal Minister of Labour and Social Affairs**, commented:

MSDs affect every country in Europe. It affects all of us in different ways. Therefore, it must be managed in every European workplace — from factory floors and hairdressing salons to hospital wards and offices. Therefore we give our full backing to the Healthy Workplaces Lighten the Load campaign.

MSDs also incur significant costs for employers and national health systems. **Christa Sedlatschek, EU-OSHA Executive Director**, emphasised that:

In addition to the human suffering caused, workers miss out on so many fulfilling aspects of their private and working lives. Those workers with MSDs are absent from work more often and for longer periods, are likely to be less productive while at work and often take early retirement. This is bad news for businesses and a huge burden on national economies. This campaign will highlight that early intervention and rehabilitation are vital and entirely possible. By working together and adopting good practice now, we can prevent MSDs in future generations of workers.

**Measures to prevent and manage MSDs are often simple and inexpensive**, and this is one of the key messages of the Healthy Workplaces Lighten the Load campaign. The campaign will reach out to workers and employers across all sectors, with a particular focus on high-risk sectors, such as health care and early education.

**Supporting workers with chronic MSDs** to remain in work will also be a key focus, along with the need to consider **psychosocial risks and worker diversity**, and to adopt collaborative approaches to MSD management – involving workers, employers, healthcare providers and other stakeholders.

Special attention will be given to **emerging risks**, arising from, for instance, **digitalisation and new technologies** and ways of organising work. This is particularly timely in light of COVID-19, which has forced many workers out of offices and into working from home. **MSDs and home-based teleworking** is a priority area for the campaign.

Links:

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## [ESAs' Board of Appeal dismisses case against ESMA on alleged non-application of Union law](#)

The Joint Board of Appeal of the European Supervisory Authorities (ESAs – European Banking Authority, European Insurance and Occupational Pensions Authority, and European Securities and Markets Authority) published today [its decision](#) in the appeal case brought by Mr Howerton against the European Securities and Markets Authority (ESMA). The Board of Appeal's decision considered as inadmissible the Appellant's claim that six national financial supervisory authorities and ESMA should have taken supervisory steps in relation to an alleged non-application of Union law.

The Board of Appeal dismissed the appeal brought forward by Mr Howerton as inadmissible as the facts described by the Appellant do not relate in any way to aspects under the supervision of the relevant six national authorities nor of ESMA. The Board of Appeal does not see, therefore, how the six national financial supervisory authorities and ESMA could investigate and take supervisory steps with regard to the facts described by the Appellant in his complaints and in the appeal.

### **Background**

Between 5 and 6 July 2020 Mr Howerton sent several requests to investigate six national competent authorities under Article 17 of Regulation (EU) No 1095/2010. ESMA assessed the content of the requests to investigate and concluded that the facts described in the requests were outside its remit as they did not fall under any of the Union acts referred to in Article 1(2) of Regulation (EU) No 1095/2010. The Appellant filed an appeal against this conclusion on 3 August 2020.

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## Isabel Schnabel: Pulling together: fiscal and monetary policies in a low interest rate environment



SPEECH

## **Speech by Isabel Schnabel, Member of the Executive Board of the ECB, at the Interparliamentary Conference on Stability, Economic Coordination and Governance in the European Union**

Frankfurt am Main, 12 October 2020

The title of this morning's session is intriguing in many ways: it speaks of a "new partnership" between monetary and fiscal policy and of the "requested" fiscal support.

The title suggests that the environment in which monetary policy operates may have changed in recent years – even well before the outbreak of the pandemic – and that this may have altered the way monetary and fiscal policies interact to deliver stable prices and sustainable growth.

And indeed, a few key numbers summarise how radically our world has changed. Over the past two decades, the ECB's main refinancing rate has declined from levels close to 5% to 0%. Consumer price inflation averaged 2.2% from 1999 to the eve of the global financial crisis in August 2008, but only 1.2% since then, well below our inflation aim of "below, but close to, 2%".

These developments raise important questions, especially as the same developments have occurred in many other advanced economies. Many people are wondering why central banks, despite record low interest rates, have not been able to deliver inflation rates in line with their aim. A related question is what needs to be done to change this.

In my remarks this morning, I will not be able to give definitive answers to these fundamental questions. A deep analysis of these and other issues will be the subject of our monetary policy strategy review that the ECB's Governing Council has just resumed after the pandemic-induced pause.

But what I would like to offer is a way of thinking about the origins and implications of the current low interest rate environment and how it affects the conduct of both fiscal and monetary policy.

I will argue that it would be misleading to speak of a new "partnership" between fiscal and monetary policy. After all, partnership implies a degree of coordination that would be inconsistent with an independent central bank. But I will suggest that, in a low interest rate environment, there are strong complementarities between fiscal and monetary policy that can help lift the euro area economy out of the current low-growth, low-inflation trap.

### **The need for novel monetary policy measures**

Low interest rates have sparked a remarkable public debate. In many advanced economies, they have exposed central banks to severe criticism and have even

called into question the paradigm of modern independent central banking.

In the euro area, the coincidence of low inflation and low interest rates has led to opposing views. For some, the ECB is doing too little too late to lift inflation. Others blame the ECB for “expropriating” savers and propping up “zombie” firms.<sup>[1]</sup>

There is an evolving understanding that some of these arguments may not properly reflect reality. In particular, it is increasingly appreciated that central banks have only a limited impact on the long-term trends that shape the interest rate environment in which the economy operates.

These trends are, by and large, determined by the willingness of households and firms to save and invest. In this context, central banks often point towards the “real equilibrium” interest rate that balances savings and investments.

And over the past few decades, slow-moving structural factors, such as lower trend productivity growth, an ageing society and global excess savings, have together led to a measurable decline in that interest rate.

Just as an example: annual productivity growth in the euro area in the 1980s was, on average, around 2%. Today it is less than half of that.

This decline in the real equilibrium interest rate has two broad consequences for the conduct of monetary policy.

The first is that ever-lower interest rates are needed to stimulate growth and investment. This is because monetary policy is only providing stimulus if the short-term policy rate – adjusted for inflation – is below the equilibrium rate. Current estimates suggest that the real short-term policy rate in the euro area needs to be negative for monetary policy to put upward pressure on prices.

The second consequence is that years of weak aggregate demand and price pressures have forced central banks worldwide to find additional instruments that could provide policy accommodation when their main policy rates were approaching zero.

In fact, the ECB has introduced a wide range of novel monetary policy tools in recent years, such as asset purchases and negative interest rates. There is a wealth of empirical evidence that suggests that these measures were not only necessary to fulfil our price stability mandate, but that they also had considerable positive effects on growth and employment in the euro area.<sup>[2]</sup>

## **The changed interaction between fiscal and monetary policy**

So, monetary policy has not become powerless in the wake of the fall in the real equilibrium interest rate. Nor have the side effects of our novel measures been as drastic as the public debate at times suggests.

For example, there is no evidence that purchases of government debt have undermined the disciplinary function of financial markets or created moral hazard.<sup>[3]</sup>

Lower interest rates did not lead governments to take on more debt. The primary balances for the vast majority of euro area countries improved after the start of our government bond purchases.

Moreover, the sensitivities of euro area sovereign bond yields to macroeconomic news and risk remain far removed from the complacency that characterised financial markets in the run-up to the global financial crisis.

But the risk that non-standard policy tools may eventually create unintended adverse side effects becomes higher, the more intensively they are used and the longer they are maintained.

This is where the title of this morning's session comes in again: the lower nominal interest rates are, the larger are the benefits of using other policy domains more actively, in particular fiscal and structural policies.

The current pandemic crisis is a case in point.

The measures we have taken since March – most notably the asset purchases under the pandemic emergency purchase programme, or PEPP, and the liquidity provision to banks through targeted longer-term refinancing operations, or TLTROs, – have been crucial in allowing the financial sector to act as a backstop for the euro area economy.<sup>[4]</sup>

They prevented the health crisis from turning into a full-blown financial crisis at a time when markets started to panic and price action became highly destabilising, which could have had dire consequences for society as a whole.

But at times of significant uncertainty, private investment may not fill the gap left by the pandemic in spite of very favourable financing conditions. In these situations, monetary policy cannot unfold its full potential. Fiscal expansion is then indispensable in order to sustain demand and mitigate the long-term costs of the crisis.<sup>[5]</sup>

Strong complementarities reinforce the policy impact, working in both directions.

On the one hand, fiscal policy will be more effective when interest rates can be expected to remain low for a considerable period of time, like today. On the other hand, decisive fiscal action increases the effectiveness of monetary policy, especially in the presence of divergent developments across the euro area.

Indeed, the historic decision by European governments to tackle this crisis with a common fiscal response was not only a strong gesture of European solidarity, it has also been instrumental in stabilising financial markets and mitigating the risks of fragmentation, thereby supporting the transmission of our single monetary policy to all parts of the euro area.

These are not the times to worry that rising government debt today could undermine price stability tomorrow. On the contrary, using fiscal and structural policies more actively in the current environment will, if used wisely, support price stability and foster central bank independence.

The reason is that such policies may boost potential growth, reverse the decline in the real equilibrium interest rate and thereby increase monetary policy space in the future. This is why we applaud the clear focus of the Next Generation EU programme on digital and green investments, which promise to have the highest payoff for society.

To support these objectives, it is crucial to swiftly put the recovery fund into action and establish a sound and efficient governance structure that ensures that funds are channelled towards the most productive and sustainable projects.

Looking forward, governments will at some point need to make a credible commitment to regain fiscal space. But this should happen only once the economy has returned to a sustainable growth path. These efforts should be accompanied by a revision of the European fiscal framework: fiscal rules are too complicated, hard to enforce and procyclical.

Monetary policy, and with this I would like to conclude, will remain a stable and reliable source of support throughout the crisis. Our policy measures will continue to be geared towards ensuring that financial conditions remain consistent with a return of inflation towards our aim in the medium term, in line with our mandate.

Thank you.