



To :
Members of the European Parliament

Subject: Investment not cuts!

Dear Member of the European Parliament,

I am contacting you to ask that you bring forward amendments to the legislative proposals on the economic governance reform of the EU. A reform of the framework is necessary to avoid repeating the mistakes of the past, implementing austerity policies whose detrimental effects are well-known to all of us. Instead, we need an economy that works for people, that provides for growth enhancing investments, that puts work before wealth and treats public services as critical for competitiveness not as a cost on competitiveness.

The ETUC assessment is that the current proposed reform will not provide the necessary fiscal leeway for increasing public investment and enhancing social policies, for supporting the socio-ecological transformation of our economies. We must learn lessons from the past and re-establish the positive link between public expenditure and economic growth as a way to regain economic sovereignty and fiscal sustainability, while preparing the future of the next generations. For this purpose, we need all Member States to be able to invest at scale in the green and just transition to ensure resilience and prosperity of our economies and societies.

We fear the obligation to reach 3% deficit thresholds by the end of the plan, together with mandatory minimum annual deficit reduction, could imply austerity policies in several Member States, with negative social and economic consequences. Together with net expenditure growth below expected growth, we run the risk of procyclical policies, all together detrimental for growth and sustainability.

The ETUC asks for further ways to allow Member States to free-up fiscal space without endangering fiscal sustainability. Among our key demands, we propose:

- the adoption of a rule for public investment to excluding certain kind of investment from deficit calculation;
- fiscal adjustment paths that preserve government spending in favour of households and workers in difficulty because of labour transitions or soaring cost of living; and
- that investments and reforms are not in detriment of social expenditure;
- ask for more democracy and transparency in all processes of the economic governance of the EU.

Finally, we ask that the adoption of the legislative package that reforms the economic governance of the EU comes along with a clear engagement to design and implement a European fiscal capacity.

We fear that the package focuses on fiscal discipline only while other policy areas, especially those of social relevance, risk to remain overlooked. In this regard, we are confident that the European Parliament can exercise its capacity to advance proposals improving the legislative package taking into consideration the following proposals:

- Include in National Medium-Term Fiscal-Structural Plans clear targets/benchmarks linked to the EPSR, including quality job creation, just transition measures and fight against poverty (Porto's Headline Targets), while triggering upward convergence of wage trends especially supporting development of sector national collective bargaining practices and setting of adequate minimum wages respectful of Directive 2022/2041;
- Introduce the UN Agenda 2030 and its SDGs within the EU priorities, as general framework to bind economic governance to sustainability constraints;
- Task the European Semester with the identification and removal of social imbalances and inequalities in the "preventive arm", in order to put "upward social convergence" on equal foot of economic and fiscal rules;
- Reinforce safeguards clauses that protect national laws and practices of collective bargaining against undue interferences;
- Making sure Social Partners are properly consulted on the design and implementation of economic, employment and social policies, and at the milestones of the Semester, in line with the Proposal for a Council Recommendation on strengthening social dialogue in the EU

We will welcome the opportunity to discuss these relevant issues with you at your convenience. The ETUC is preparing example amendments and we looking forward to hearing from you.

Yours sincerely,



Esther Lynch
General Secretary of the ETUC