

ETUC position on the Assessment of the Annual Sustainable Growth Strategy 2021

Adopted at the virtual Executive Committee Meeting of 28-29 October 2020

ASSESSMENT OF THE ANNUAL SUSTAINABLE GROWTH STRATEGY (ASGS) 2021

A QUICK ANALYSIS OF CHALLENGES OVERLOOKED IN THE ASGS 2021

The ASGS 2021 sets guidelines for the implementation of the Recovery and Resilience Facility (see also ETUC's position on the Recovery Plan). If, on one hand, it is a step toward a quick activation of resources for investments, on the other hand, the ASGS falls short of any socio-economic analysis of the COVID-19 crisis and overlooks the necessity to urgently coordinate measures to protect workers, wages and households' income in the present situation.

In the EU, sovereign debt levels are increasing while GDP losses are now estimated in a range between 8 and 10% in Europe (between 4 and 5% globally). According to international institutions, GDP projections for the next 3 years now lags below the baseline if there was no pandemic. Public deficit in the EU and Euro area has increased in order to finance measures adopted due to COVID-19. It allowed to keep the economy alive and offered shelter to people mostly affected by the crisis. Member states are supposed to run even higher deficits as the second wave of contagion is spreading and the impact of the first wave is showing its consequences on employment and poverty.

The GDP of the EU will surely rebound but it will take time to go back to the level of 2019. GDP losses are more significant in countries that depend on industries such as tourism, culture, retail, public transport, steel, automotive and aviation. Sectors that have certain characteristics will continue to suffer (front desk services, services with close contact between people, activities strongly depending on international trade and movement of people). Telework will also imply a challenge for businesses that were providing services to mobile workers and to offices. Finally, experience shows that countries with less inclusive and more fragmented labour markets will go through prolonged economic stagnation. Quarterly data of Eurostat shows that employment indicators move slower compared to GSP and other shock indicators. However, the marginal increases on a quarterly basis (as at June 2021) in the data referring to involuntary non-work periods among workers are unprecedented and are a sign that, unfortunately, confirms what the ETUC claimed to be the effect of the crisis on 45 million workers.

It is urgent that the EU Member States continues to work in solidarity, acting in a coordinated manner, prolonging and refinancing SURE (see also ETUC inputs for the Joint Employment Report). ETUC affirms that national and EU emergency measures, particularly those connected to employment protection and income support, must continue until the full recovery of the economy and the stabilisation of jobs. Resources must be ensured by government expenditure maintaining the General Escape Clause of the SGP while ensuring unconventional monetary policies and low interest rates from the ECB remain in place. In this context, a European minimum income scheme is urgent. It should include European binding standards and a solidarity mechanism, based on the model of SURE. We need a quick adoption of all the legal acts required to operationalise



the Recovery Plan for Europe. ETUC rejects any attempt to force future decisions to backtrack on the rule of law or the social ambitions of the Recovery plan.

The ASGS did not assess the impact the massive wave of restructuring currently taking place across Europe will have on the European economy. The **European Solvency Support Funding** needs to be restored to offer support in cases of restructuring. Member States and the European Commission must have a crucial role in supporting companies to and guaranteeing them resources to keep running their businesses. However, employers must guarantee reciprocity; they need to take responsibility and exhaust all possible measures (early retirement schemes, freeze of payment of dividends, reduction of working time, STW or similar, sharing of workers in the same company) until they start restructuring and layoffs. In this way company engage for a higher social return.

These challenges and relative policy responses do not appear in the ASGS creating vulnerability in the capacity of the EU to offer an immediate and coordinated response to the socio-economic consequences of the pandemic crisis.

ON THE ASGS AS GUIDELINES TO IMPLEMENT THE RRF

ETUC supports the overall objective of the Recovery and Resilience Facility (RRF) but it has to be implemented in the interest of everyone. The RRF should make the EU a “transformation leader” and this will result in “upward convergence of living standards and prevent distorting the economic playing field, accelerating the green and digital transition”. However, it has to be noted that RRF remains a country-centred process in which Governments hold the greatest responsibility for designing and implementing investment packages and reforms that will be financed under the EU instrument. In this regard we expect, but do not definitively agree with, that the RRF will be driven by past CSRs. This will affect the identification of social priorities within the national recovery and resilience plans, including the activation of social dialogue for policy reforms. The Recovery and Resilience Facility (RRF) should promote a new European model of economic and social development, based on social inclusion, the creation and support of quality jobs, and on accelerating the green and digital transition.

The ASGS improves, but not completely fulfils, the requirements of the UN2030 agenda. In this respect the ASGS gives more prominence to sustainable growth, jobs and decent work (goal 8) and includes training and education among the flagship actions (goal 4), when compared to the Council Conclusions 21 July 2020, which mostly focused on environmental aspects. This may spread positive effects on goals that are surprisingly neglected such as poverty (Goal 1), gender gaps (goal 5) or inequalities (goal 10). Other goals may be driven by the strong emphasis on green and digital investments (goal 6, 7, 9, 11, 12, 13, 14 and 15). To the same extent the ASGS envisages stronger public investments on good health and well-being (goal 3). It is more difficult to evaluate the ASGS stand on Goal 16 as the situation concerning the rule of law remains uncertain, while the role of social dialogue is announced but has to be re-built from scratch. The role of collective bargaining is also neglected while we all know that it will be key to make Europe a “transformation leaders” while being a global leader for social progress.

The **European Pillar of Social Rights** for upward convergence of working and living conditions has to be the compass for implementing the EU Recovery Plan. ETUC fully supports the Green Deal and advocates a human-centred digital transformation, as far as such policies bring benefit to all workers and properly protect those that are forced into labour transitions. **The SDGs** will be our paradigm to preserve the economic, social and environmental dimensions of development. Social dialogue is the cornerstone of the Recovery Plan creating ownership for reforms and investment, to ensure that labour transitions are fairer and that the recovery is a People’s Recovery. It will be crucial that the ongoing work for on a strong social Europe for Just Transition of the European Parliament will contribute to make this approach mainstream policy. In this regard it is important to allow the appropriate space for the policy priorities in the Communication for a Strong social Europe for Just Transitions on the Social Europe.

IMPLEMENTING THE RRF

When it comes to the implementation of the RRF the ETUC asks that EU and national programmes be bound to ambitious and transparent objectives of social progress and that they have a strong social dimension. In parallel boosting investments to foster the recovery and the digital and green transitions. The RRF must consistently respect and implement the European Pillar of Social Rights and integrate the future Action Plan for its implementation, in order to create stable and quality jobs; narrow the gender employment and pay gaps by reinforcing work-life balance; and provide protection for all workers in their workplace. Social objectives should be mainstreamed in all relevant legislation and regulations linked to the Recovery Plan, referring to the European Pillar of Social Rights (See ETUC priorities for an Action Plan to implement the European Pillar of Social rights).

Collective bargaining and social dialogue shall be reinforced and promoted. These are essential elements to manage crises, adapt production patterns, organise work and corporate setting to the new reality, anticipating and managing the change by long-term planning, innovating and following-up green and digital transitions.

Since access to funds of the RRF is linked to the EU Semester, **ETUC urges the Commission to set a binding rule for Governments to involve national social partners** in the definition and implementation of the recovery and resilience plans, and more in general in the Semester's milestones. In this sense, the Partnership Principle and the Code of Conduct for Partnership, which are part of the MFF regulations, should be extended to the Recovery funds.

There is momentum to change for a more balanced social and economic governance of the UE. The next Semester cycle should continue the suspension of the Medium-Term Budgetary Objectives and it should encourage the definition of new economic and social governance structures that better fit with the new fiscal, economic and social challenges that the EU is confronted with, by confirming the review of the Stability and Growth Pact announced by the Commission. Macroeconomic conditionalities should be deleted in the regulation on the recovery and resilience facility.

ETUC supports and calls for the extension of measures needed to mitigate the impact of the crisis, such as short-time work schemes, income support, etc., as long as necessary (and at least for the whole 2021), and to make such measures coherent and coordinated with the recovery strategy. Moreover, the ETUC is asking EPSCO and the governments to enlarge the coverage of such measure to all categories of non-standard, self-employed, precarious workers, and for the improvement of the adequacy of income compensation. This has to happen in all countries with full social partners involvement. The SURE instrument needs to be rapidly implemented. Finally, it is time to re-open a discussion about a permanent unemployment reinsurance scheme, which is still needed to protect the Euro area from future crises, in order to mitigate occupational shocks.

We need more inclusive labour markets, which can be achieved by investing in activation measures and a massive plan for upskilling and reskilling; having lifelong learning, avoiding skills stagnation and skills waste, and improving digital skills (hard skills) and green skills (soft skills). The RRF should create synergies with other structural funds, including the ESF, which should boost companies' investment in employee training. Such funds would need to be monitored through specific data collection and policy benchmarks.

A gender-balanced labour market is key to ensuring an inclusive recovery. Although this issue is not properly addressed in the Commission's ASGS, efforts to boost gender equality should be at the core of national recovery and resilience plans. Member States need to undertake reforms and measures that facilitate entry and stability in the labour market for women. Investments in child and elderly care, as well as the introduction of individual taxation, are measures that have proved effective in a number of countries.

The **Green Deal** and the **Recovery and Resilience Facility** must go **hand in hand**. For each national Recovery and Resilient plan, Member State, a minimum of 37% of the expenditure is earmarked for public investments to reach the ambitious EU climate targets. Moreover, the “do no harm” principle corresponding to the EU taxonomy regulation should be implemented in the RRF.

Fiscal resources are crucial for the financing of a high level of social protection and quality public services. The adoption of radical redistribution policies is recommended, particularly fair revisions of wage, contribution and taxation policies, as well as combatting undeclared work and the informal economy. Tax justice is one of the most frequent topics addressed by Trade Unions. Increased progressivity on personal income taxation (including capital and real estate gains), reforming tax laws favouring environmentally friendly initiatives improving tax collection, as well as enhancing the fight against tax evasion and tax avoidance, are considered the key priorities. ETUC demands rapid legislation tied to the EU budget, through taxes on corporations (especially multinationals), plastics, carbon emissions, digital economy and financial transactions.

Starting a debate about the accessible and effective minimum income protection which must be guaranteed in the EU, via a European framework directive establishing common principles, definitions and methods.

SETTING THE “RESILIENCE” CONCEPT ON THE RIGHT TRACK

The concept of resilience is already subject to different interpretations that may lead to different policy options for the future governance of the EU. The Foresight Strategic Report makes some progress on a concept of resilience that builds on the sustainable growth envisaged in the SDGs and putting people and jobs at the centre of the process. ETUC’s document for Growth and Social Progress 2021 designs a concept of resilience that expresses a narrative that better meets workers’ expectations.

In a nutshell it can be said that the **COVID-19 crisis is changing the landscape of social risks**. It has demonstrated that the virus has created greater hardship and casualties among precarious and less protected workers and to poorer groups of the population. Urgent measures have helped to protect jobs and worker’s income but they risk to be insufficient to address the second wave and a lower economic recovery. We know that groups of population are at higher risk of exclusion. First of all, the working contract matters because the employment relationship gives access to full social protection schemes. Precarious workers (including migrants and undeclared workers) and self-employed or new forms of work in digital platforms represent segments of exclusion that have to be immediately protected, investing in adequacy and universality of social protection systems. We have also learned that lower paid jobs are less likely to be performed from home or remotely. It implies that unemployment will affect low income households pushing them further on the brink of poverty. Women are particularly exposed, in particular those with relevant family charges. We risk to lose the progress made in offsetting employment and wage gender gaps. Young people are also particularly vulnerable since they start their professional careers with fixed-term or temporary contracts transiting in the groups considered more at risk.

Mapping of social risks is an exercise that must be continually updated during the recovery phase. ETUC will provide its contribution in monitoring and measuring EU progress toward resilient and sustainable economies. The monitoring system should be built exploiting the positive and strong correlations between Goal 8 with other SDGs and ensuring that social progress and green and digital transformations will mutually reinforce each other, so building a society that is fairer today and respectful of future generations.