

ETUC position on the assessment of the Regulation establishing the Recovery and Resilience Facility. A first step toward a People's Recovery

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BACKGROUND

Part of the European Union's response to the devastating crisis caused by the Covid-19 pandemic, was to agree and mobilise an unprecedented fund for the economic and social recovery of Europe. In May 2020, the European Commission proposed the temporary recovery instrument NextGenerationEU, amounting to € 750 billion. This was intended to complement and reinforce the EU's long-term budget. In July 2020, the Council reached a political agreement on both the budget and the recovery package.

Finally, on 18th December 2020, the European Parliament and the Council agreed on the Recovery and Resilience Facility (RRF). The RRF is the main instrument within the NextGenerationEU targeting the economic and social recovery of EU Member States. It consists of €672.5 billion in grants and loans to support reforms and investments over the next three years.

GENERAL ASSESSMENT OF THE RRF AND SHORT ANALYSIS OF THE KEY ETUC PRIORITIES

The final text of the Regulation establishing the RRF is not as ambitious as ETUC had wished and lobbied for, but it is generally considered positive despite some concerns.

The RRF represents a first-ever political achievement toward a greater European integration. Reforms and investments undertaken by the EU Member States are indeed funded by a common debt instrument. Furthermore, the RRF is intended to finance actions largely devoted to shape a greener, digital and fairer future.

The final text greatly improves the social and environmental dimensions of the proposal by the Commission and the Council. Notably, it includes most of the trade union key priorities that the ETUC had put forward.

It provides a valuable political opportunity to move away from the economic paradigm that is prevalent in the European Union, toward a newer and more socially-oriented economic governance.

ETUC took action early in the legislative process by proposing amendments focused on four key priorities:

- a. Introducing a safeguard clause for social partners' autonomy and collective bargaining;
- b. Strengthening the social and environmental dimension of the National Recovery and Resilience Plans (NRRPs);
- c. Securing the involvement of social partners in the design, implementation and monitoring of the NRRPs;
- d. Deleting the macroeconomic conditionalities in the use of the RRF funds.



The safeguard clause for social partners' autonomy and collective bargaining is included in the recitals. Recital 33¹ reads as follows "*The national recovery and resilience plan should not affect the right to conclude or enforce collective agreements or to take collective action in accordance with the Charter of Fundamental Rights of the European Union, and Union and national law and practices*". Moreover, Recital 14² stipulates that RRF resources may be used to "*enable the strengthening of social dialogue*".

The social and environmental dimensions of the recovery were reinforced in the Articles related to the scope and objectives of the RRF. For instance, specific references to the implementation of the European Pillar of Social Rights, and the EU Climate Law, are included among the objectives. In addition, Member States are required to explain how their NRRPs address gender equality, equal opportunities for all and the mainstreaming of these objectives. Moreover, at least 37% of each national plan must be dedicated to address the climate challenge, and all actions financed by the RRF should respect the "Do No Harm" principle. All sectors, including the energy intensive industries, while respecting this principle, should be eligible recipients of the RRF funds in order to support them in their efforts to reach the climate related European Green Deal objectives.

Despite the demand of trade unions, EU institutions did not include a binding rule for social partners' consultation on the NRRPs. Article 18 p.4(q)³ imposes on governments the obligation to report on how social partners were consulted rather than the obligation to consult. This outcome is due to the reluctance of both the Commission and the Council to make social partners' participation mandatory. Nevertheless, if coupled with guidelines provided by the 2021 Annual Sustainable Growth Strategy (ASGS), the inclusion of such an obligation represents a step forward. Indeed, this rule builds upon current cooperation between the Commission, the Council and the social partners in the frame of the European semester, and consolidates it further. The ETUC will continue to advocate for a binding rule for more structured consultations – based on the quality criteria of the ETUC's Trade Union Involvement Index – in the perspective of a long-awaited reform of the economic governance.

The ETUC firmly opposes macroeconomic conditionalities as these could be used as a means to put pressure on Member States by requiring to implement austerity measures in the use of RRF funds. Despite ETUC having strongly lobbied against macroeconomic conditionalities being imposed in the use of the RRF funds, which can lead to the suspension of disbursement of allocated resources, the conditionalities are still present in the final text. These were critical to the political agreement reached by the EU heads of states and governments in July 2020. Thus, having them deleted was an extremely difficult target. Nevertheless, the inter-institutional negotiations managed, to a certain extent, to dilute the conditionality.

Notably, Article 10⁴ stipulates that macroeconomic conditionalities cannot be applied in case the Council "*has determined the existence of a severe economic downturn for the Union as a whole*" and that "*payments shall be suspended only when immediate action is sought and in the case of significant non-compliance*". Moreover, Article 9 affirms that the suspension "*shall be proportionate, shall respect the equality of treatment between Member States and shall take into account the economic and social circumstances of the Member State concerned, in particular the level of unemployment, the level of poverty or social exclusion of the Member State concerned in relation to the Union average and the impact of the suspension on the economy of the Member State concerned*".

¹ Numbering to be checked after publication on the Official Journal

² Numbering to be checked after publication on the Official Journal

³ Numbering to be checked after publication on the Official Journal

⁴ Numbering to be checked after publication on the Official Journal

Also, Article 10 gives the Parliament some prerogative to monitor the process of suspension and entrusts the Commission to report to the Council and the Parliament on the application of these provisions – with a view to a possible review of the article itself.

Finally, ETUC welcomes the inclusion of the principle of additionality (Article 5 p.1⁵) – i.e. resources of the RRF should not substitute recurring national expenditures. This should allow to increase net public investment. According to the Regulation, RRF resources may also be allocated to incentive schemes for private investment. This could divert part of the funding from much needed public investment, reduce transparency and public scrutiny of resources mobilised through the RRF and will create an overlapping with the scope of other EU funds, like the InvestEU. Nevertheless, if such schemes are put in place, ETUC and its member organisations will monitor that they do not entail the privatisation of public services and are effectively conducive to the key policy objectives of the RRF, including tackling the green and digital transitions, as well as the creation of quality jobs.

OVERVIEW OF THE LOBBY CARRIED OUT BY ETUC

ETUC intervened early in the legislative process by proposing amendments to the positions of the European Parliament's committees on Budgets, Economic and Financial Affairs, and Employment and Social Affairs. ETUC succeeded to get these priorities reflected in the negotiating position adopted by the European Parliament.

During the inter-institutional negotiations, ETUC stepped-up its lobbying efforts vis-à-vis both the Parliament and the Council. This was done directly via structured contacts with permanent representations of EU Member States as well as indirectly with EU governments thanks to the assistance of ETUC Member organisations.

Over a 4-month period, ETUC had several contacts with all progressive groups and Parliament negotiators. A number of permanent representations were contacted, thanks to the assistance of TUSLOs and National Officers, with the aim to create an alliance to support the trade union demands within the Council. Over the same period, five circulars along with requests for lobbying assistance, were sent to affiliates. Several affiliates consistently liaised with ETUC and kept the Secretariat posted regarding their discussions with their respective governments and MEPs.

A consultation event took place on 26 January 2021. The first session involved Gentiloni, Commissioner for Economy, and other high-level officials from DG ECFIN and DG RECOVER. The second session provided trade union representatives the opportunity to discuss NRRPs with Commission's officials in charge – i.e. the Country Desks and European Semester Officers.

The collective effort should be valued and continued during the implementation of the RRF. In this manner future decisions can fully reflect the expectations of European workers.

NEXT STEPS

The RRF provides the EU governments with an unprecedented amount of common resources and paves the way to finance a fairer, greener and more digital future. ETUC will work to ensure the highest level of coordination in the use of available EU resources, notably the coordination and complementarity of actions undertaken under the RRF and initiatives funded by the Multiannual Financial Framework (MFF).

The RRF represents a unique political opportunity for the European trade unions to work towards finally getting rid of the failed austerity. Reforms and cuts imposed by austerity are one of the major factors affecting the EU Member States' capacity to thoroughly

⁵ Numbering to be checked after publication on the Official Journal

tackle the Covid-19 emergency. ETUC and its member organisations will strongly reject any attempt to implement austerity-driven reforms through the RRF.

In this perspective, the RRF is also an opportunity for the European trade unions to keep pushing for a long-awaited reform of the economic governance framework. Additionally, it is a means to ensure “A People’s Recovery” by participating in the design and implementation of economic and social policies for a recovery that is different than in the past crisis.

ETUC will continue working to assist the Member organisations throughout this process, by exerting pressure on the Commission to monitor and, where relevant, facilitate trade union consultations on the NRRP, both at European and national levels.

ETUC and its member organisations will work to ensure that NRRPs allocate adequate resources for investment in public services contributing to promote gender equality and to fight violence against women.

ETUC will engage in dialogue with the European Commission in order to influence its delegated acts concerning (i) the design of the Scoreboard monitoring the implementation of the recovery plans; and (ii) the methodology to assess the social expenditure of the NRRPs. ETUC will also ask the Commission to re-evaluate the adequacy of RRF resources against the most updated economic forecasts.