

ETUC resolution for Recovery and Social Progress 2022

Adopted at the virtual Executive Committee Meeting of 5-6 October 2021

A new economic model

The EU Semester 2022 is an opportunity for the EU to move toward a practice that looks beyond the GDP and adopt a development model that is conducive to a just transition for environmental and social sustainability. The sustainability agenda should be driven by a reinforced **commitment to promote sustainable growth, full employment and decent work.** The European Social Partners introduced a set of indicators that complement the GDP for a sustainable well-being.

It means that the Semester will finally engage the EU and all member states in **implementing the EPSR Action Plan** adopted in Porto and to achieve the Porto's headline targets on employment, education and training, and poverty. Social imbalances, which are also detected in view of the upgraded social scoreboard, should be addressed and resolved bringing about upward convergence of working and living conditions of people.

Quality jobs should be at the heart of the recovery strategy of the EU. The European Pillar of Social Rights (EPSR) and the UN Sustainable Development Goals (SDGs) should be the compass for EU policy making. The full implementation of the RRF and public incentives to support employment must be conditioned to the creation of well remunerated jobs, the respect of labour rights and health of workers, and the observation of the social and fiscal obligations of employers, including the right to collective bargaining.

All **investments** covered by the RRF should be **financed under the condition that leads to a net job creation and provide shelter to workers that are experiencing job transitions.** We need an EU vision that allocates investments in sectors that are strategic for the EU economy, achieves all SDGs and improves the position of women and youth in the labour market.

Social dialogue and collective bargaining are crucial to ensure equality, social cohesion, social mobility and sustainable growth. This is particularly urgent in this historical moment, when a larger part of the aggregate income and wealth (as consequence of the pandemic and the green and digital transformation) is transferred with uncertain redistribution effects, which may penalise groups and workers who risk to be underrepresented in absence of well-balanced industrial relations.

As the national recovery and resilient plans (NRRPs) set a detailed roadmap for investments and reforms, **it is urgent that the new ASGS sets rules to align the NRRPs to the EPSR Action plan.** In particular, expedite implemented of the Recommendation on **Effective Active Support to Employment (EASE)**, in close cooperation with social partners. In this regard, well-equipped public employment services are needed to implement active labour market policies and to perform the outreach strategies identified to undergo the digital and green transition. PES also play a key role in the integration of the most vulnerable groups of society in the labour market: precarious workers, women, migrant and seasonal workers, workers with disabilities and young NEETs.



Macroeconomic outlook and Euro Area Recommendations

The macroeconomic outlook presents several elements of uncertainty. Fiscal and monetary policies should remain expansionary to give leeway to government expenditure in support of employment, to reduce poverty and to create a good environment for real economy to develop. In their policy landscape, the ECB and the European Commission should focus on investment and job creation and the urgent need to protect people who are affected by either the pandemic crisis or by transition of the accelerating green and digital transformations.

The ETUC stresses that the economic growth will reward countries in different manners. It means that the recovery phase, even in a situation of sustained growth, may not be able to eliminate disparities and inefficiencies in the internal market and may lead to higher inequalities or social fractures that would divide the EU and its population into winners and losers. This has to be avoided by having a reliably mapping of the social risks threatening the recovery phase and which warrant resources to address social gaps with EU and governments' budgets.

Policymakers need to detect social risks and take into account the pandemic divergent employment effects across industries; and long-term unemployment must be prevented and tackled as much as possible. The principles of upward convergence and social progress should guide the adaptation of the Porto targets on employment, poverty and education/training and the adoption of sub-targets at national level. The fiscal and macroeconomic position of member states have to be assessed in view of the contribution of each single member state but cannot be invoked to prevent the adoption of more ambitious targets and sub-targets as foreseen by the European Commission working method..

The resurging of inflation should be monitored as it exercises pressure on wage earners. The ETUC is worried that the quick soaring of energy and food price and the inflation rates can create excessive pressure on the purchasing power of wages. Households depending on wage earners can be exposed to difficulties and also poverty. This should be taken in consideration in the next European Semester.

There is an increasing demand for social justice among people. Non-progressive taxation and current settings of social transfers are seen as a source of economic unfairness. The European Commission should continue assessing the differentiated impact of the crisis especially on vulnerable groups, ensuring the coverage of social safety nets and increasing social transfers that favour social and tax justice and just transitions. This should also be accompanied by a swift implementation of international agreements against tax avoidance and tax competition. EU taxation should be a tool to rebalance social, environmental and economic objectives of the economic governance.

The ETUC urges the Commission to resume consultation, debates and discussions on the EU Economic Governance review, to reform the Stability and Growth Pact and subsequent legislations to prevent a return to austerity which would have great detrimental economic and social effects. Such reform should protect and strengthen public investment and provide flexible and country-specific debt adjustment paths. The ETUC also asks the Commission to put forward country-specific guidelines for transition periods until its full implementation, during which time no excessive deficit procedure should be activated and with the possibility to use the "unusual event clause" on a country specific basis. (See Box 1).

BOX 1: KEY DEMANDS for a renewed EU Economic Governance (full resolution [here](#))

Key demands in the architecture of the economic governance

- Including the EPSR in article 148 of the TFEU
- Introducing indicators to complement GDP when measuring performances of MS
- Introducing EU automatic stabilisers of employment and social expenditure
- EU taxation to support issuing of EU debt and increase EU capacities to stabilise economy and ensure social progress
- Ending tax competition by the implementation of 25% minimum corporate tax rate
- Ending tax avoidance by implementing a set of corporate tax rules together with an apportionment formula for a reallocation of taxing rights between Member States
- Replace macroeconomic conditionality with partnership frameworks between EC and members states
- Democratisation of the economic governance architecture and an improved role of EP and social partners
- Establishing an EU rule for social partners' involvement in the semester and a clause that encourages social dialogue and safeguard collective bargaining

Key demands fiscal and economic field

- Maintain support for employment until the pandemic and its economic consequences subside
- Use of the "unusual event clause" on a country specific basis
- Replacement of single reference values for all MS with more flexible tools and non-GDP indicators
- Excessive and prolonged deficits treated in the same way as prolonged and excessive surpluses.
- Macroeconomic imbalances (MIP) coordinated with the social and fiscal rules
- Golden rule for public investment, which would promote allowing net public investment to be financed by debt

Key demands in the social field

- Making the EPSR and its social scoreboard a binding and more impactful tool for the economic governance
- Introducing, in the revised social scoreboard, a set of indicators that concern economic well-being, inclusive labour markets and vulnerability of workers
- Reformed social protection systems supported by automatic stabilisers
- Improving the policy framework for quality and inclusive education and training, also guaranteeing the right to adult learning, employee training and paid educational leave
- Introducing an "ageing-in-dignity" criteria to qualify government expenditure
- Introducing a Social Imbalance Procedure (SIP) that leads to social CSRs, corrective measures in NRRP implementation and in-depth review of non-performing countries
- Monitoring the implementation of the Green Deal and ensuring a just transition policy in national plans.

Implementing the EPSR

The ETUC would like to stress that the next Semester phase should give legs to the Action Plan implementing the EPSR, as endorsed in Porto by all EU institutions, EU social partners and Members States. In this regard the implementation of the RRF is crucial and bottlenecks to the quick implementation of both grants and loans have to be removed. **The RRF, also in combination with the MFF, can create conditions for a job-rich recovery. Legislative initiatives** planned in the EPSR Action Plan are a necessary complement to achieve the EPSR objectives of upward convergence of living and working conditions.

Investments should also boost productivity thus giving room for improvement of working conditions. Growth and productivity gains need more collective bargaining especially because wage earners may continue suffering in the upcoming economic phase because of surging inflation and pressure on real wages exercised by digitalisation of the economy and higher unemployment.

To mitigate the social impact of the economic consequences of COVID, it is important that all mechanisms that allow a fairer distribution of income and wealth

are in place. Among them, the ETUC wants to shed light on social dialogue and collective bargaining. Collective bargaining, and in particular sectoral collective bargaining, must be safeguarded as it has also played a key role during the COVID-19 pandemic, unlike the pressure exerted in the aftermath of the last economic crisis. Social dialogue is key to ensure that enhancement of social protection systems and subsidies to companies are allocated in an efficient manner preserving social cohesion and leading to high employment levels. Social dialogue has to be encouraged at all levels, ensuring a strong coordination between national and European levels.

In this regard, regional disparities (concerning income, wealth, education, health access, social mobility) **are seen as a reason of increasing inequality and unrest among EU people.** EU policies should take into account better the effects of EU decisions on regional disparities.

The Porto's poverty targets should be detailed better at EU level. The ETUC thinks that poverty needs an action plan that addresses all aspects of poverty, including in-work poverty. The current demographic context requires a strong anti-poverty strategy, and the guarantee for all EU citizens and residents to "**age in dignity**". Higher public expenditure for social transfer and safety nets to prevent poverty is necessary. Increasing public expenditure according to the demographic projections is necessary to satisfy the rights and the needs of present and future elderly people. The sustainability of adequate pensions for all generations is achievable through a better labour market integration of people of working age, in quality jobs.

Employment and workers' income support schemes must remain in the toolbox ready to be prolonged or reactivated if further pandemic waves materialise. Countries that are not well equipped should be asked to introduce these instruments in cooperation with social partners, and adapt them to national or regional situations. The European Semester needs to put particular emphasis on the long-term unemployed. This will require giving specific attention to particular age groups (such as older workers), regions (for instance those reliant on tourism) and workers lacking skills that are likely to be increasingly important in the post pandemic world.

The establishment of **short-time working schemes** and its extension to the self-employed and casual workers was backed by the Support to mitigate Unemployment Risks in an Emergency (SURE), a European instrument. Building on the positive experience of SURE, **supranational automatic stabilisers** should be established at European level to support countries experiencing asymmetric economic/employment shocks.

Women's position in the labour market remains a challenge as the gender gap widened during the pandemic. Two factors are making women worse off in the labour market: the first is occupational disruption in sectors dominated by female employment, the second is the overburden of care giving. **The Employment Headline target adopted in Porto can only be achieved by adopting ambitious targets at national level to include women in the labour market,** creating incentives, infrastructures and removing barriers and discriminations. The sub-target on the reduction of the number of NEETs should also be further pursued at national level in coherence with a more ambitious mobilisation of the Youth Guarantee that should be strengthened in light of the Council Recommendation of 30 October 2020 with the active involvement of national social partners. Childcare facilities and adequacy of social protection schemes have to be designed keeping in mind the need to increase a stable, qualified female participation in the labour market.

Addressing gender gaps means improving women position in the labour market first of all. The European Semester should monitor women participation in the labour market, access to apical positions, and employment and pay gaps. A policy mix has to be activated to enhance minimum rights at EU level (implementation of Work-Life Balance Directive and adopting a pay transparency Directive), quality effective labour market policies to reactivate women that left the labour market during the pandemic, ensuring voice of women at the work places, providing training and investing in care facilities and implementing measures that more evenly distribute care duties between men and women. **Collective bargaining is crucial** to activate such measures and to set up working time arrangements and support for care responsibilities that help women participation in the labour market and protect them on the workplace.

The implementation of the EPSR should ensure that all workers, either employed or unemployed, urgently need support in accessing upskilling and reskilling trainings, and have the right to employee training, paid educational leave, full qualification, validation of informal and non-formal learning, and guidance and counselling. This **target can be achieved** if every EU country legislates the right and access to adult learning for all, including the unemployed; right and access to employee training with sustainable investment by the employers; and right and access to different types of paid education leave. In order to reach the target, it is essential to monitor the participation and financing of adult learning and employee training provided within and outside of the companies on company-related training needs.

The implementation of the RRF should give greater impulse to social partners' involvement in the EU Semester and in the implementation of NRRPs. Unfortunately, so far, social partners' involvement was sporadic, fragmented and in the NRRPs social partners are almost never are treated as co-regulator of the labour market and work conditions at workplace. The next EU Semester should remedy this, because without social partners the greatest part of economic and social reforms in the NRRPs are likely to fail. In the absence of a clear framework (binding rule for governments) to involve social partners at EU and national levels, it will not be possible to establish a stable and fruitful cooperation between policy makers and social partners, thus feeding risks of diverting the EU Recovery plan from its overall social purposes (i.e. social and green objectives envisaged by the RRF Regulation).

The ETUC's input to the NRRPs also showed how a SDG8-centred approach would support the digital transformation creating a positive correlation between the #EU_SDG8 index and the DESI indicators. The next semester should take into account that this correlation is stronger for countries that are both late in the sustainability agenda and late in the modernisation of their economies. Investments in decent work can help speed up the digitalisation agenda, it is therefore important that a strong protection is established for workers engaged in platform workers or the digital economy, as in the big web companies.

Green agenda and just transition

The ETUC supports the objective of the Fit for 55 package to rapidly reduce EU's greenhouse gas emissions. However, growth and job creation in Europe can still be at odds with the achievement of the green agenda. Furthermore, in a context of exploding energy prices, the creation of a separate EU ETS for road transport and building will make working people holding the cost of the green transition by raising energy bills and lead to further backlash against urgently needed climate action. The burden of the climate transition is being placed on low-income households at a time when 50 million

EU households are already in energy poverty while the principle 20 of the EPSR recalls that “everyone has the right to access essential services of good quality, including [...] energy”. Nonetheless, some countries and economic sectors are showing the way ahead creating a positive correlation between economic expansion, job creation and reduce environmental impact.

The RRF is crucial to convert the EU economy to fight climate change and reduce environmental impact. While the RRF’s implementation should be monitored together with social partners to identify the just transition needs, the NRRPs alone cannot fulfil the needs of the European workforce to go through the green transition. The EU Semester should help by allocating structural funds in a way that they are complementary to the NRRPs to provide skills and activation measures for workers in order to ensure continuation of employment or a quicker transition to new jobs, and shelter those that are affected by the green transition.

National Plans allocate huge financial resources to this objective even if for the transition to happen, it needs to be inclusive and socially fair. The burden of the transition should not be supported by low-income households or vulnerable groups and no worker should be left behind in this process. Sustainable investment can align private sector to the EU social, environmental and economic objectives. Waiting for a full implementation of the EU taxonomy for sustainable investments, the EU Semester may start measuring the impact of private investments for social progress and green transition using an SDG8-centred approach and the EPSR.

The RRF and next Semester cycles have to be a “game changer” to convert the EU into an economy that ensures growth, jobs and environmental sustainability. The correlation between the #EU_SDG8 and indicators of green sustainability should help identify concrete measures for a just transition. Such Just Transition Framework should (1) guarantee that just transition strategies are developed in all sectors and regions through social dialogue and collective bargaining, (2) guarantee worker’s right to information, consultation and participation, especially in case of restructuring processes and decarbonisation plans, (3) guarantee individual’s right to training and worker’s participation in the design of training programmes, and (4) secure sufficient investments as well as develop industrial strategies to create alternative quality job opportunities.