SYNDICAT EUROPEÆN TRADE UNION

ETUC ASSESSMENT OF AUTUMN PACKAGE AND ETUC PRIORITIES FOR THE EUROPEAN SEMESTER 2022

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SUMMARY

The ETUC's overall assessment of the Autumn Package is positive, since it builds on sustainability and the UN2030 Agenda. However, there are several areas where the analysis of social challenges could be more thorough, and the policy response better designed. The ETUC agrees on the need to maintain a positive fiscal stance to finance investments and protect workers, especially those hit by the pandemic and affected by the green and digital transition. This document outlines the advocacy actions that trade union can undertake in the next steps and milestones of the Semester 2022.

This Autumn Package is the prelude to a phase of action and change, it is an opportunity to make the EU stronger through a reinforced social dimension of its economic policies. As of this year, the Semester's scope has been enlarged to cover the implementation of the RRF and the investments financed by structural funds under the cohesion policy of the EU (namely ESF+, ERDF and JTF). In promoting the complementarity and consistency of the use of the MFF, RRF and national funds, the ASGS revisits the European Semester and sets a way forward in the review of the fiscal and macroeconomic framework.

The European Commission asks the Member States to engage in, and rebuild for, the future embracing a "beyond GDP" strategy that fully embeds the SDGs in the EU development strategy. The ETUC appreciates the change of narrative but each narrative needs actions, tangible results and measurable progress toward the declared policy objectives, which are not always well prioritised.

As the COVID-19 pandemic continues to create uncertainty on the economic outlook, it is therefore important to continue financing the recovery. The ETUC welcomes the call for differentiating fiscal policies, taking into account the state of the recovery, especially the economic, social and territorial divergences, while maintaining fiscal sustainability as a priority in view of the big challenges ahead. It is appropriate to continue using short-time working schemes and other forms of support to employment and income until the crisis and its economic consequences are over.

The Social dimension of the Autumn Package is in the "fairness" chapter of the ASGS, but it is actually left to the Joint Employment Report. The JER is gaining relevance as a policy action tool. In this regard, the JER shows some limits despite the good socio-economic analysis it proposes too many policy frameworks that make policy responses difficult to prioritise. This reduces the usefulness of the report to national organisations that want to be supported in identifying their domestic challenges or to contribute to the achievement of common EU policies (e.g. Employment guidelines or Porto's Headline targets).

The manner in which the EU benchmarking frameworks are progressing risk to lead to a single prejudicial narrative of the EU social model. The benchmarking frameworks for implementing the EPSR have advanced (social scoreboard, social protection monitoring framework, ECEC scoreboard, etc.). Nonetheless, the relevance of qualitative aspects of employment, care, social protection and safety nets are sometimes missing. The inequalities reveal the urgency for a policy response that is tailored to the needs of specific groups within society**.**

The four most affected groups in the labour market are clearly identified: women, migrants, young people, and workers with a disability. However, the policy response is sometimes insufficient since globally the total hours worked in the EU are still below its pre-pandemic level and the slack on the labour market is also still above its pre-pandemic level**.** The European Commission falls short in its analysis on digitalisation and its impact on employment, especially on its impact on young workers and women, whose position in the labour market is crucial to achieve Porto's Headline Targets. For example, nothing is said about telework and the need to undertake a gender approach. There are shared identified challenges between the Commission and the ETUC when it comes to precarious employment and in-work poverty. However, the ETUC considers that a stronger policy response is needed to reduce the precariat, such as involuntary part-time and temporary contracts especially among young workers. Nonetheless, the ETUC is sceptical about the role the program ALMA can play in supporting NEETs into securing employment and, therefore, calls for an improvement of the Youth Guarantee. The Public Employment Services should be supported in their outreach strategies, to assist them in providing personalised support to enable those people who are further from the labour market to access employment or the necessary support mechanisms. Quality jobs will come from the full implementation of all Principles of the EPSR, of its Action Plan, and the implementation of secondary legislation stemming from the EPSR.

Gender equality is more than just the lack of work-life balance. This is just one issue of a broader picture that shows a systematic gender employment, pay and pension gap. The directive on work-life balance should be implemented, while the gender pay transparency directive should fill the gap between women and men in terms of equal pay for equal work but especially in equal pay for work of equal value. This entails raising the pay levels of sectors that are highly feminised and poorly remunerate. Specific policies would be needed to promote women employment in sectors that will greatly benefit from investments and subsidies during the recovery.

Environmental sustainability in addressed, however, the just transition framework remains underdeveloped. For instance, the recent creation of a Just Transition Mechanism and a just Transition Fund are useful, but remain too limited to tackle the challenges being faced. The scope of the Mechanism, which is limited to regions highly dependent on coal, lignite peat, oil, shale and carbon intensive industries, is also too narrow. It does not provide support for other sectors that will be affected by the changes, such as transport, construction and other industries.

The ASGS and the JER give considerable relevance to social dialogue and involvement of social partners in policy making, however a lot remains to be done to make it a reality for all social partners in Member States. The ETUC, through its permanent monitoring, has solidly demonstrated that the involvement largely depends on the discretionary power of governments. The extended scope of the Semester urgently requires a European rule-book for social partners' involvement, which builds on best practices of involvement in the EU Semester and implementation of the Partnership Principle, and investment in social partners' capacity building at national and European level.

The social Headline Targets can become a new tool for the EU Semester and the Semester 2022 has to establish a good practice in the implementation of Porto's Headline Targets. Governments are called upon to define their own actions on employment, education/training and poverty to contribute in achieving the European targets. According to the Porto Declaration, national commitments have to be ambitious and need to be set together with the social partners. The Autumn Package calls for social partners' involvement but does not say how this should happen.

The Annual Sustainable Growth Survey 2022, finally, places the actions championed in the Green Deal under the coordination of the EU Semester, but the just transition framework is sketchy and too much oriented towards compensatory measures. The *building-blocks-for-the-economy-of-tomorrow* strategy identifies a gap for green investments of about €520 billion per year. This is a reliable estimation, but the RRF and cohesion funds will activate €342 billion over a decade all together and they do not necessarily encompass just transition measures. Climate measures (legislation, investments, etc.) should be accompanied by adequate just transition measures as well as the creation of quality jobs. The focus on quality job creation will be crucial to tap into the job potential of those sectors that have to go through greater transformation, sectors such as: building renovation, public transport, renewables, green hydrogen, batteries, electric vehicles, circular economy, energy efficiency, etc. The lack of a European legal framework for a just transition risks to keep the social dimension of the Green Deal underdeveloped. The ETUC thinks that the SURE mechanism could be a valuable tool in this respect and should be implemented on a permanent basis.

The capacity of the financial market to produce sustainable investments is overrated. Actually, investments can count on an unprecedented level of liquidity and savings, so the Commission envisages the use of guarantees and backing instruments to trigger private investments that offset the investment gap. What the ASGS neglects is that what is at stake in the green and digital transformations is that change must reach deep in our society and in the EU entrepreneurial fabric. If private sustainable investments are too small a segment of the financial market, this is also because of the lack of awareness and capacity of the private sector to engage with environmental and social objectives. The ETUC will also be very vigilant on companies' investment and dividend policies (as well as the evolution of private debt) since the latter are expecting to reach a record level this year, raising financial stability risks and inequalities.

The ASGS is not clear about whether resources coming from the RRF and national budgets have to be used for public investments or to back private investments. In the latter case, whatever the design of the financial tools, this would entail high risks, with a revamping financialisaton of the economy, and an excessive exposure of public budgets toward private failures. The ETUC sees the need for increased public investment, since even with the support of the RRF and the EU funds, the euro area public investment as a share of GDP is not reaching its 2009 level. In this respect, although the fiscal stance for the year to come should remain "moderately" supportive, the ETUC sees the potential, especially since "the favourable differentials between interest rate and GDP growth in the coming years are expected to help stabilise or reducing the debt ratios" (AMR 2021). This would ensure a growth-friendly debt to the GDP reduction strategy, as requested in the autumn package.

On the contrary, **public investments and stronger public services have to set the ground for productivity gains that should trigger the re-establishment of effective collective bargaining structures across Europe.** Collective bargaining will be crucial and the Semester has to tackle the risks of precarious working conditions, working time organisation, work-life balance, job-to-job transitions and mobility of the workforce. This is not clearly outlined in the narrative proposed by the European Commission. Wage policy in this respect is of utmost importance, and while energy prices are surging and supply bottlenecks increasing, core inflation remains in line with ECB inflation targets and negotiated wages growth in the second quarter of 2021. In this respect wages would still need to increase following labour productivity to avoid a decrease in wage share, without second-round effects on prices. Wage increases cannot come from a decrease in social contributions since it would represent a decrease in postponed wages, the ETUC would rather call for more progressive social contributions.

The ETUC also supports the reference to the respect of the rule of law. Efficient justice systems, anti-corruption structures anti-money laundering and anti-fraud frameworks are key not only for businesses but also for workers to see their rights respected and their interests protected.

The ASGS promotes the strategic autonomy of the EU, reflecting many considerations raised in the Strategic Foresight Report. Actually, the Report fails to explain how building a robust supply chain will lead to the creation of quality jobs and what role social partners have to play to implement the Industrial Strategy of the EU.

ETUC FOLLOW UP

In a phase of quick change and policy elaboration the ETUC, as an overarching principle, would like to see solutions that prioritise the strengthening of the sense of belonging of our citizens to the EU project. It means prioritising investments and policy actions that run along the EU integration patterns, promoting frameworks and infrastructures that deliver for people, create jobs, protecting workers and building stronger European institutions bound to solidarity and social progress.

T*he ETUC proposes that the trade union coordination action in the EU Semester 2020 focuses on countries where the RRF allocates more funds. The ETUC will advocate that the current investment needs could be met with public investment, and a reinforced governance of national and European investment plans, with a structured involvement of social partners. Moreover, in order, to fill in the investment gap the ETUC will advocate for a mix of measures, which include:*

a. *The increase of net investments of national governments, while adapting the Stability and Growth Pact rules, before the deactivation of the General Escape Clause;*

b. *The creation of green jobs and a fairer taxation that insists on polluting and high impact activities (while the fight against tax evasion and tax avoidance must be pursued) to finance change, rather than penalising wage earners;*

c. *The setting up of a permanent instrument for EU investments that mainly finance projects of cross-border utility should also be included in the toolbox, complemented by increased own resources*.

The ETUC and its members should influence the definition of national plans to achieve the Porto's Headline Targets with the RRF and the social cohesion policies (especially ESF+, ERDF and JTF). The ETUC will promote country-by-country dialogue between ETUC members and the relevant EU policy makers, supported by a collection of national inputs to indicate where the actual priorities lay, and what policy drivers have to be activated and how social investments have to be frontloaded.

It is crucial to offer a counterargument to the benchmarking frameworks of the European Commission, which put just transition at the centre of the EU Semester Agenda. The ETUC has developed a metric on its own that is based on 24 indicators grouped in 3 composite indicators of well-being, employment, and quality of work (or workers' vulnerability). They result in a single value attached to each Member State (the

#EU_SDG 8 index of the ETUC) that has the capacity to express the potential of sustainability of a Member State with a higher rate of reliability than the GDP. Correctly utilised, the ETUC benchmark will offer a good counterargument to the benchmarking frameworks developed by the European Commission, thus achieving CSRs that tackle more effectively the actual challenges faced by workers in Europe.

The ETUC will advocate for a stronger interaction between the new Fit for 55 package and the EPSR. Legislative proposals on climate should be accompanied by adequate social measures to guarantee a just transition as well as the creation of quality jobs. Such focus on quality job creation will be crucial to tap the potential of those sectors that will need to make the green transition.

We have to exploit the Porto Headline Targets to the best. In general, the ETUC considers as good practice the adoption of reference values to be achieved within a predetermined time frame. Member States can use the multilateral surveillance framework to agree timeframes to activate policy responses. Such policy responses can be coordinated by CSRs that stem from the Social Imbalance Procedure (currently under discussion at EPSCO), supported by the social scoreboard and a streamlined JER. Social CSR should not be hampered by fiscal and macroeconomic CSRs, on the contrary, fiscal measures have to be assessed against their capacity to provide a policy response to the social imbalances with a view to achieve the reference values agreed at the start of the Semester. The ETUC, in cooperation with the ETUI, is working on the elements of a Social Imbalance Procedure that better respond to the needs and demands of the trade union movement.

Concerning trade union involvement in the EU Semester, there are two working streams for the trade union movement. The first one is aimed at creating a structured consultative place at European level, getting the EU level closer to the concept of partnership applied at national level for structural funds. The second one is to create a regulatory framework for social partners involvement at national level.

The ETUC will advocate that current investment needs could be fulfilled with public investments and a reinforced governance of national and European investments plans, which build on a structured involvement of social partners.

The ETUC also stresses that collective bargaining should also be supported to encourage a revisiting of working time, welfare schemes and social protection systems, as a response to the acceleration of digital transformation activated by the COVID crisis. We expect that the EU Semester 2022 will launch an offensive for collective bargaining, building on and respecting national systems, in order to set sector-based development frameworks that are fully sustainable in their social and environmental dimensions.

The ETUC will contribute to the rule-of-law framework, advocating for legality in the labour area, creating anti-discrimination frameworks, including discrimination based on gender, sexual orientation, ethnicity and nationality, and a redress mechanism that put remedy to violation of fundamental labour and trade union rights.

ANNEX

INFORMATION CONCERNING MAIN CHANGES IN THE EU SEMESTER PROCESS.

The RRF makes it necessary to continue using the European Semester process, since the RRF implementation will drive the reform and investment agenda for the years to come. The European Semester, with its broader scope and multilateral surveillance, will complement the implementation of the RRPs. The two processes will be closely linked.

There are three novelties introduced in the 2022 EU Semester cycle:

Country Reports and Country Specific Recommendation will be issued at the same time, in May 2022, within the 2022 European Semester Spring Package:

a. Country reports will take stock of Member States' implementation of the NRRPs; they will provide an overview of the economic and social developments and challenges that Member States are facing; and finally, they will include an assessment of progress on the implementation of the EPSR (via the revised Social Scoreboard), and on achieving the EU headline targets on employment, skills and poverty reduction. Based on this analysis, the country reports will identify those challenges that have not been sufficiently addressed by the NRRPs.

b. Country-specific recommendations will help bring forward Member States' efforts under the RRPs, while addressing emerging socio-economic challenges that fast-forward the twin transition and build up resilience. The CSRs will address the key issues identified in the country reports, and where relevant, the in-depth reviews, for which policy action will be required. There will also be fiscal recommendations.

Continued integration of the Sustainable Development Goals (SDGs) into the European Semester: The next cycle will provide fully updated and consistent SDG reporting across Member States. The annual SDG monitor report will be published as part of the European Semester Spring package. Moreover, Country Reports will include a dedicated section discussing the country's status and progress in each SDG area. A combination of these two elements and additional indicators that monitor Member States' performance in view of key EU policy targets (i.e. European Green Deal, Digital Decade, EU2030 headline targets on employment, skills and poverty reduction), will inform the country reports and underpin country-specific recommendations.

Ensure synergies and streamlined reporting obligations between the RRF and the European Semester:

c. Member States are expected to submit the national reform programmes (NRPs - setting out national economic and fiscal policy plans) in April (as in previous Semester cycles). The NRP will now play a dual role: besides its role in the European Semester, it will also fulfil one of the two bi-annual reporting requirements of Member States under the RRF regulation;

d. Making use of IT tools to monitor both the implementation of the plans and the progress on country-specific recommendations; and

e. Integrating bilateral exchanges with Member States under the European Semester with a dialogue on the implementation of their RRPs.