

ETUC's assessment of the EU Recovery Plan and MFF

Statement Adopted at the Executive Committee Meeting of 23 September 2020

The emergency is not over

The adoption of an ambitious EU Recovery Plan is essential for Europe to emerge from the COVID-19 outbreak and avoiding massive unemployment, a recession and a rise in inequality and social exclusion, while building a socially fair and inclusive recovery.

The mistakes made in the past in addressing the financial crisis with austerity and neoliberal strategies based on cuts to wages, public services and social protection systems, had a tremendously adverse impact on European workers and their families.

Those mistakes must not be repeated. For the EU Recovery Plan to really be successful it is essential that sound and effective emergency measures are implemented in a timely manner for the European economy to start recovering and for restoring jobs.

The emergency measures put in place so far by the EU and member states have indeed protected workers, companies and public services from massive disruption. However, there were significant shortcomings in the timely implementation, adequacy, universality of coverage and access, and no proper involvement of social partners in the design, implementation and monitoring of the measures.

Furthermore, it was totally unacceptable that in some countries the restructuring processes implying layoff of workers were allowed to companies that benefited from financial support as well as short time work and income compensation schemes.

Now that we are gradually coming out of the lockdowns, but at the same time experiencing a new rise of infections in many countries, we need to remain vigilant and to make sure that everybody will be protected. Additionally, there is no certainty on when a final agreement on the Recovery package will be reached between the EU institutions, and consequently on when the disbursement of the related resources to Member States will actually take place. It is therefore essential to bridge the unavoidable gap that will occur by prolonging the emergency measures for all the time necessary.

The ETUC asks that:

- All national and EU emergency measures, particularly those connected to employment protection and income compensation and SURE, continue for the necessary duration and until the full recovery of the economy and the stabilisation of jobs.
- All existing shortcomings of the emergency measures, particularly in terms of adequacy and universality of coverage and access, are fully resolved.
- All necessary resources are made available to support public services, particularly health care, and social protection systems.
- Workers' health and safety is fully protected upon their return to work.

- Free movement of workers is fair, safe and non-discriminatory.
- All necessary resources are made available to workers to cope with restructurings and adequate support is provided to them in these times of hardship because of the economic downturn.
- All necessary resources are used to avoid a liquidity cliff before the entry into force of the RRF and the NGEU.
- Social partners are fully involved in the design, implementation and monitoring of the emergency measures is ensured at all levels.

Building a socially fair and inclusive recovery

The European Trade Union Confederation welcomes the Council's adoption of the €750bn EU Recovery Plan and the €1,074bn Multiannual Financial Framework 2021-2027. It is good news for the 60 million workers in the EU who depend on rapid investment to save their jobs or avoid long term unemployment, and represents a change from the disastrous austerity-led response to the previous crisis, from which Europe had not yet fully recovered when COVID-19 struck.

The ETUC urges all EU institutions and national governments to support the Recovery plan, and to make the plan's timely implementation as the highest priority. The ETUC insists on the full involvement of social partners at EU, national and sectoral level in the governance of the Plan and the MFF, in the design and implementation of the investment's priorities, and in the monitoring of the results particularly in terms of job protection, quality job creation, just transitions and defence of workers' and social rights.

The ETUC welcomes the decision to fund the recovery measures through European bonds, guaranteed directly by the EU, and to grant an important part of the funds through direct financing, so avoiding additional debt for member states. Member states have been forced to do extraordinary expenditures in order to cope with the effects of the pandemic, this will generate huge public debt that can become unsustainable in the long run; although this will depend on the ECB policy after its Strategic Review. It is therefore more urgent than ever to proceed with the necessary revision of the EU economic governance rules.

There are important aspects of the agreement reached by Council in July that are either negative or need clarification:

- The insistence of some member states to cut some of the proposed funds and to introduce Council control over national recovery plans, thus potentially leading to harmful austerity and structural reforms. These came together with demands for increases of rebates and the protection of tax havens, while weakening positive and binding funding conditions such as those related to respect of the rule of law.
- The reduction of the amount of grants in the Recovery fund and the increase in rebates in the contributions to the MFF for some member states, brought unacceptable cuts to the proposed Just Transition Fund, health measures, funding for research and innovation, and measures for solvency and restructuring support.
- The overall EU budget is not big enough to deliver ambitious green and digital transformation and adequate resources for cohesion, convergence and social priorities.
- Any reference to the social dimension and the European Pillar of Social Rights, as well as to the involvement of Social Partners in the Recovery plans, has been eliminated.

The ETUC totally disagrees with these decisions and will be actively insisting for:

- Reinforcing social partners involvement, and the partnership principle, in the design, governance and implementation of MFF, Recovery Plan and national plans; making the respect for social dialogue, collective bargaining and workplace democracy compulsory conditions for funding.
- Upholding the rule-of-law in all EU member states, and that those who flout it do not have access to EU financial support.
- Clarifying the governance/emergency brake mechanisms to avoid national recovery plans being held up by Council as a means of delaying payments, and above all avoiding the possible imposition of damaging fiscal conditions and austerity measures that only made the last crisis longer and more painful.
- Reversing the cuts to the Just Transition Fund and make the 2050 and 2030 targets binding conditions for funding, as climate action is urgent and needs to create jobs and manage a socially just transition, especially in regions heavily dependent on fossil-fuel and high-emission industries.
- Using the recovery package, and the RRF in particular, to boost investments and create quality jobs in industrial value chains that are strategic to reach the EU policy objectives (European Green Deal, Digital Strategy).
- Restoring health-related funding: if corona virus has taught us anything, surely it is the need to invest in public health services, health care and health care's workers.
- Restoring the Solvency Support funding, which is crucial to address the restructuring processes companies have begun since the COVID outbreak.
- Reversing the cuts to InvestEU, Horizon Europe, ReactEU, and restoring the external action related programmes (NDICI, Humanitarian Aid).
- Improving the EU's own resources, to help member states repay the loans. Particularly, making the European level discussion and decisions on taxation on corporates, plastics, carbon emission, digital economy and financial transactions progressing, in a way that the revenues coming from such taxation measures can help make the Recovery funding sustainable for the EU and Member States; and that the green and just transition objectives are met in a way that protects workers interests.
- Preserving social investment in the MFF, reinforcing the ESF+, restoring the European social model and social protection systems, fully implementing the European Pillar of Social Rights and the Agenda 2030 of the UN.
- Introducing conditionalities to make sure that companies paying dividends or executive bonuses, doing share buyback, and not complying with taxation rules and obligations, will be excluded from any financing related to recovery plans.
- Making sure that national recovery plans are designed to support a just transition towards a carbon neutral economy.

The ETUC will develop an in-depth analysis of the recovery package (NGEU/RRF) and the MFF through a dedicated Ad Hoc Group established by the Executive Committee. This Group will directly participate in lobbying and in providing inputs for the improvement and implementation of the measures, will deliver specific campaigns and actions for the ETUC demands to be achieved, and will support affiliates in the consultations and negotiations of national and sectoral recovery plans.

At the same time, the ETUC thinks that a broader reflection should be made regarding the consequences, for the European Union, which derive from the divisive debate that took place during the long Council summit of mid-July 2020 and is being reiterated in the

framework of the negotiations between European Council, Parliament and Commission on the decisions and regulations to make the RRF/NGEU and the MFF operational.

Two minority blocks among member states, for very different reasons, paralyse the discussion with crossing vetoes and risk making the deals not ambitious enough and with significant limits and worrying consequences for the interest of working people.

One block has been pushing for cuts, budgetary control and further austerity, the other for dropping the respect of the rule of law and human rights, including workers' and trade union rights, from the conditions for funding. This resulted in undermining the potential of the EU recovery strategy in terms of quality job creation, just transitions and social convergence, but also in putting at risk the values of cohesion and solidarity on which the EU and its social market economy are based.

This situation cannot be ignored by the trade union movement, since it constitutes a significant threat to European workers and their unions. Additionally, this can result in huge delays in the implementation of the Recovery package, with a potentially tragic impact on European jobs and economy.

For these reasons, the ETUC is convinced that reforms of EU governance and decision-making, as well as further integration of the Eurozone, are now urgent, to restore unity and cohesion in Europe.

Immediate action is needed to reinforce our social model and social market economy in line with the EU founding values. It is high time to put a stop to neoliberal ideology and austerity policies, and on the contrary to design and implement an environmentally and socially sustainable economic model, based on strategic investment, quality job creation, just transitions, economic and social upward convergence and cohesion, reinforced public services and social protection systems.

The current suspension of the economic governance rules should be the occasion to rethink and revise them, in line with the principles of the Green Deal and the European Pillar of Social Rights.

In this context, the Conference on the Future of Europe becomes even more crucial, and the ETUC will continue lobbying to ensure that trade union participation is guaranteed, that veto-rights are avoided, and that a more social and fairer EU is built, including through a Social Progress Protocol to be included in the Treaties.