

Speech of Liina Carr for TSS 19 October 2022 Economic and social support measures to tackle the cost of living crisis

Dear presidents, ministers, colleagues of social partners.

Right at the beginning of COVID crisis, the EU reacted fast and decisively in tackling the negative effects of lockdowns and the following economic and social downturn. The SURE instrument shielding workers from layoffs and unemployment, NextGenerationEU and now RePowerEU putting in place the RRF (Recovery and Resilience Fund) giving Member States the possibility to directly set into motion plans and reforms to strengthen the green and digital transitions while promoting social developments to implement the EPSR and its Action Plan. These instruments must be strengthened and made permanent.

Governments are struggling to provide social assistance to vulnerable households. The initial measures of reducing VAT or other charges on energy were conceived as one-size-fits-all, and very clearly did little to help the worst off. High social risks are already putting an exceptional strain on national budgets, destabilising the Euro area and the overall EU economy. More targeted assistance is needed to help the ones most in need. To do so, **there is a clear need for a European level instrument to combat the economic and social crisis** - an European Emergency instrument to support workers, households and companies in facing the current energy and cost of living crisis.

All efforts must be geared towards financing just transition measures, to support employment and fight poverty. The sharp increase of **interest rates** is not helping to curtail the inflation. Quite the contrary, it will contribute to deepening economic downturn and increase unemployment, instead of stabilising the economy. The reason for inflation is supply-shock, driven by energy and supply chain problems, not the demand or wage driven inflation. We are not seeing any indications of a wage-price spiral. So it is particularly problematic to base monetary policy decisions on something very unlikely to materialise. According to ECB figures, inflation-adjusted wage loss for workers in the euro area was about five percent in real terms. Next year the ECB also does not see a major acceleration of wage growth, which is very unlikely anyway, as the economy is moving into recession.

No austerity either. This was tried after previous economic and financial crisis and failed, prolonging economic stagnation and deepening social inequalities and increase poverty.

We need market regulation to cap the cost of energy, but also tax on excessive profits. Furthermore, we need to end the race-to-the-bottom tax competition damaging public finances and fight more effectively tax avoidance and tax evasion. Companies that want to receive support from national or EU funds must concentrate on job retention, not pay dividends or have share buy-backs, have no presence in tax heavens and respect workers' rights.