# ETUC For Growth and Social Progress.
# ETUC Package for Early Stage Consultation on Semester 2020

Adopted at the Executive Committee Meeting of 22-23 October 2019

## EXECUTIVE SUMMARY

**Now that the European Elections have passed, it is time for the EU to deliver social progress in the upcoming legislative period; boosting investments for quality jobs and green transition is a top priority.** ETUC demands the new President of the EU Commission, Mrs. Von der Leyen, and all the Commissioners, to realise an ambitious, socially and environmentally friendly work programme to achieve sustainable growth and quality jobs.

**Member States are called on to strengthen the conditions that support wage growth through collective bargaining,** respecting the role of social partners, to address labour market segmentation and ensure adequate social protection systems; and to address disparities in the education and training systems across the euro area. Labour transitions need new rights for workers; active labour market policies and investments in skills to safeguard stability of employment are required.

**In order to achieve these targets, the implementation of the European Pillar of Social Rights (EPSR) is crucial.** However, without a proper “fiscal room” for social reforms and investments, it is unlikely to happen. The ETUC is convinced that the current economic governance framework, and in particular the fiscal criteria of the Stability and Growth Pact (SGP) and the Fiscal Compact, is an excessive burden on public finances, slowing the way toward social progress and environmental neutrality. The proposed evaluation of the 6- and 2-pack are the ideal occasion to review the current fiscal criteria of the SGP, in order to make them more growth-friendly.

**The ETUC welcomes European Commission President-elect Ursula von der Leyen’s pledge for a ‘Green Deal for Europe’**, but this must integrate all dimensions of sustainability: social, economic and environmental. The Semester 2020 should mobilise a significant budget and investment plan to meet the climate goals recommended by science, mobilising new, not reallocated, funds. It should prioritise social justice and implementing the Pillar of Social Rights and the United Nations’ Sustainable Development Goals ought to form the foundation of EU policy.

**At the beginning of a new European Semester cycle, there must be more room for increasing public expenditure for a green and social agenda. It is opportune to increase investments and relaunching a social policy that reinforces wage growth, increases labour productivity, creates opportunities for quality jobs and ensures adequate social protection to workers and their families.** The ETUC reiterates the demand for a methodical relaxing of fiscal requirements for a revision of fiscal rules in order to privilege investments. This would trigger selective investments, urgently needed in the perspective of a new Green Deal and a just transition in the digital era, as well as for creating quality jobs and implementing the EPSR through some concrete actions (directives, framework agreements, recommendations) that combine harmonisation of rules and upward convergence of working and living conditions of all Europeans.

The European Commission continues its efforts in **dialogue with social partners**. Trade unions need to also be heard on all policy areas that have an impact on jobs and their quality thereof, such as the fiscal, industrial and tax policies. Country Specific Recommendations must continue supporting **social dialogue**. The latter is an overarching policy structure enshrined in the EU Treaties. It may provide a higher level of democratic legitimation to the European Semester.

## The Macroeconomic Outlook

**The slowing of growth levels of the EU economy is a source of major concern.** While most EU Member States are set to register a growth over 2019 and 2020, the GDP growth contraction of EU major national economies may offset the average moderate growth in other EU countries. The international context may worsen, thus injecting new risks to the stability of the Euro Area. After years of unconventional monetary policies, the ECB may have too little space for manoeuvring to sustain the economy, without exacerbating distortive effects on household positions in surplus and deficit countries. The monetary union cannot rely on stabilisation mechanisms and the expected GDP growth will not be sufficient to address complex challenges, such as demography.

**Private consumption is contributing less than expected (even if more than in past years) to internal demand.** Productivity trends are not supportive of wage growth. Wage increases remain subdued. This is predominantly due to competitiveness policy based on low labour costs and lack of public investments, especially in R&D, technology and skills. Productivity is a key issue since the EU will likely experience labour market shortages caused by shrinking or ageing of the population and reduced supply of work. This is also linked to a different management of working time, increasing workers' time sovereignty. Progress in productivity must be geared towards sustainable development.

**The ETUC proposes that the new legislative cycle starts with a medium-term development strategy that includes a revision of the Stability and Growth Pact (SGP), the Fiscal Compact and a proposal for the post-EU2020 Strategy.** The former should give momentum to public and private investments, supported by a continued accommodating monetary policy by the ECB and renewed benchmarking of public expenditure and revisiting of the debt rule. While the EU2020 strategy is coming to an end, it is difficult to understand if a new economic and social development agenda will be put forward. A new, ambitious European agenda is essential. The ETUC considers very important that the ECB promotes "green Eurobonds with the aim of encouraging investment in the circular economy and promoting growth, development and quality employment". Eurobonds as an EU funding instrument for European social infrastructures.

**ETUC considers that the UN2030 Agenda is a policy framework that, tailored to the EU reality, with ambitious targets, provides a comprehensive model for the development strategy of the EU over the next 10 years.** Coordinated with the EMU governance reforms, the European version of the UN2030 Agenda should reinforce the social and environmental dimension in a way that economic growth will be achieved by taking into consideration the effects it has on environment, on inequalities and on wealth distribution.

**The UN2030 Agenda should bind the EU and its member states to fairer and progressive taxation systems.** Since many of the SDGs require strong public infrastructures and services, increasing tax income tax is a priority. As the social scoreboard demonstrates, governments' expenditure for social protection and public investments is declining and national gaps are deepening. An improved tax collection system should aim at reducing fraud, tax evasion, and tax avoidance, especially among small businesses and multinational companies, along the supply chains, and digital business models. Tax collection should also be improved among multinational companies, whose capacity to avoid taxation is costing billions of Euro discharged on wage earners. The implementation of a Common Consolidated Corporate Tax Base for all EU businesses is a priority. A financial transaction tax would serve for purpose. Finally, all member states should coordinate their efforts to introduce fairer and progressive taxation systems that shift taxation from labour to less productive or less environmental-friendly assets. If operated at European level, measures having these features should increase tax income of national governments, increase social justice and provide room for quality public services and infrastructures. It should also facilitate an increase of the EU budget so as to reap the benefit of the EU added value of investments and coordinated reforms for social progress.

## Investments

**The Semester 2020 should stimulate investments,** which are declining in the manufacturing sector. In particular, industries are not investing enough in new technologies for a green transition. Excluded the construction sector, investment levels in the EU remain low. In view of a monetary policy that stimulates investment, availability of liquidity and low interest rates, investments are still remarkably below expectations. Urgent action is needed to reverse the decline with sustained above-trend increases in public investments, necessary to build and restore vital social infrastructure and create a drive for private investments.

**Public and private investments should be evaluated against their capacity to create stable and quality jobs.** Reforms aimed at curbing wages and labour costs have disincentivized private investments for innovation. Tertiarization of the economy, not supported by a growing and solid manufacturing industrial fabric, risks pushing workers into the lower segment of the labour market and into the poorer part of the technological transition such as the old economy performed through new instruments (such as platforms, GIG economy, share economy, etc.).

**Net public investments, included those promoting an environmental neutral economy and implementing the EPSR, should be deducted from the deficit calculation for the purpose of the SDG.** Similarly, to last year, the ETUC asks for a permanent "investment clause" that moves the fiscal stance from a neutral to a positive territory to build sustainable and inclusive growth.

**Green and social investments can also be increased with European financial tools** such as the upcoming InvestEU programme[1]. The Commission wants to base this mostly on public-private cooperation, ETUC underlines its strong concerns to use public funds to underpin private sector contracts. The governance of projects that are based on blending finances will be crucial to maintain adherence to social returns, especially when such financial tools fund services of general interest. Public funding that is used to trigger private sector funding and especially when companies benefit from it needs to be linked

[1] *Information on the InvestEU programme is available in more languages on [https://europa.eu/rapid/press-release_MEMO-18-4010_en.htm](https://europa.eu/rapid/press-release_MEMO-18-4010_en.htm)*

to conditionalities like tax transparency through public country by country reporting, the existence of a collective agreement, due diligence, and how the company contributes to reducing $CO_2$ emissions. They cannot replace public investments in quality, accessible and affordable public services, which remain a responsibility of governments that should be enhanced through an increased expenditure for public investments. Only public services, like education, health care services and public long-term care services with more public funding can guarantee an equality of rights and access for all workers and can adequately respond to the demographic challenges.

**Investment in transnational projects and those that promote economic and social convergence are considered a priority.** Since the new President of the Commission has committed to a New Green Deal, Semester 2020 should start delivering tangible results in the fight against climate change and the promotion of circular economy, offering adequate protection and opportunities to workers affected by change. To ensure that investments are consistent with environmental and social sustainability, the sustainable development goals (SDGs) need to be considered as a binding investment framework.

**The new Multiannual Financial Framework should support the implementation of the European Pillar of Social Rights and the green transition.** The EU Budget and MFF 2021-2027 should be approved as soon as possible to avoid harming loopholes in funding, as well as increased in its overall amount in order to cope with the new challenges and tasks to be delivered. The social partners must be involved at both regional and national levels to maintain national and regional operational plans with the objectives of growth and social progress of the EPSR and of the UN2030 Agenda.

**The ETUC calls on governments to:**

- **Increase public investments and establish a golden rule[2], especially for green investments in order to boost the environmental and sustainable dimension of development;**
- **All investments of the EU should be tendered in line with the European Pillar of Social Rights;**
- **Increase the expenditure aimed at reducing poverty and inequalities, especially related to social protection, health services and long-term care, and education and training; giving priority to infrastructures and staff in order to increase accessibility and quality of services;**
- **Increase current public spending and guarantee better wages and improved working conditions in the public and private sector.**

## Implementing The EPSR

**Two years after the adoption of the EPSR, there are no signs of convergence in working conditions. The single market evolves in a context of great disparities. Inequalities in Europe are increasing everywhere.** The EU and its Member States are not progressing in their fight against poverty and of particular concern is the persistent deterioration and divergent dynamics of poverty among people depending on wages. The trade union movement should draw attention to the fact that in-work poverty is influenced by collective bargaining and its coverage rate. Collective bargaining, in countries pursuing upward wage convergence, is a remedy against in-work poverty. That

*[2] The 'golden rule' of sound public finances, so that new public investment should be debt-financed, and deducted from deficit calculations*

is why, for instance, we insist so much on having a legislative initiative that improves effectiveness and coverage of collective bargaining in all EU countries.

The ETUC requests that the European Pillar of Social Rights is implemented through an Action Plan, the drafting of which should involve social partners and include the legislative option to establish minimum common rights for workers; rights that neither the single market nor the economic and monetary union will be able to threaten or push downward. The economic governance and the EU Semester should establish policy frameworks that encourage Member States to improve working and living conditions of people, aiming for the higher existing European standards.

## Wages

**Disparities in the EU economy continue pushing down the purchasing power of mid-income households, mainly because of wage dynamics.** In most countries minimum wages are increasing, but not mid-level wages, which is the main group sustaining demand in the economy and also supporting the social budget through social contributions. Collective bargaining in the single market remains fragmented and companies engaged in huge transformations make frequent use of (collective) dismissals, discharging on workers the burden of transition costs. Collective bargaining coverage does not show signs of improvement. Wage trends in the EU are not evolving in line with the golden rule "inflation + productivity" and surely not as required by the most recent broad economic guidelines and Country Specific Recommendations of the EU Semester. Moreover, in countries reporting increases in minimum wages, this does not seem to be enough to ensure convergence.

**Upward convergence of wages requires a strategy that moves along 4 strategic axes:**

1. Following the wage golden rule, together with a reinforced collecting bargaining system, while pursuing an upward convergence in wage levels;
2. Reinforcing effectiveness and coverage of collective bargaining;
3. Ensuring a living wage to all workers at least at 60% of the national median or average wage in a situation of positive dynamism of real wages;
4. Fighting the gender pay gap and all forms of discrimination in wage determination.

The oncoming legislative initiative on wages shall take these elements into account. A collective bargaining and wage scoreboard supports the ETUC strategies highlighting areas of underperformance in the four policy areas (see annex).

**Gender pay gap is one of the great challenges of our times.** There are countries where the gap is still too high (i.e. over 20%). The new Work-Life Balance Directive and the Recommendation on access to social protection will offer an opportunity for a more in-depth monitoring of policies that impact on gender-based discrimination. The announced legislative initiative on Pay Transparency shall address this problem further.

**We ask that the next AGS promotes collective bargaining as the main driver for a positive wage dynamic that covers all employees.** A European legal framework could surely help eliminate gaps in collective bargaining efficiency and coverage and create a level playing field that reinforces the social and economic performances of the single market. In particular, the EU Semester should take concrete steps to promote sectoral collective bargaining and extend and strengthen collective bargaining in the public sector.

**The setting of minimum wages should be transparent and collectively agreed and, for statutory minimum wages, where they exist, fully involve social partners.** It should ensure that minimum wages are nonetheless living wages for workers and their families, by verifying that in the long run there will be no employees paid at less than 60% of the median/average wage of their country, and take a firm step forward in the fight against discrimination and against in-work poverty.

## Poverty, Exclusions, And Social Protection

**The ETUC calls for an urgent Anti-poverty action.** Impact of social transfers on poverty reduction is converging downward. Government expenditure in social protection still declines in the EU with divergent national dynamics. The ETUC continues to stress the need to improve accessibility and affordability of health services and quality of services provided and not just focus narrowly on cost efficiency measures. In this regard public investment is crucial, as the role of private providers risks to overinflate profits, and at the same time jeopardise access and affordability of fundamental rights, increasing inequalities within the society. It is urgent to create an EU strategy for long term care that protect people in need of care with better pay of care workers, training and career prospects, making the sector more attractive to workers, and fairly distribute responsibilities among the public sector, households, and within households, among its components.

**The implementation of the Recommendation on access to social protection is a key priority.** It is necessary to improve coverage, effectiveness and adequacy of social protection - especially of young people and self-employed. This implies that member States should adjust their national systems, having in mind the objectives of the Recommendations and of the EPSR. It means that member states are called to deliver factual improvements for the benefit of their citizens. In this regard, the ETUC stresses that it would be difficult to ensure effective and adequate entitlements of social protection without ensuring that all working people can accrue effective and adequate entitlements. The implementation of the Recommendation must go along with measures that improve coverage of collective bargaining and wage levels, that address lack of integration and segmentation of labour market, and that fights precarious working contracts, erasing social dumping of self-employed. This is even more necessary if we look at adequacy of entitlements whose sustainability and effectiveness is strictly related to access to work, continuity of career, more and better-quality jobs, equal and fairer allocation and more transparent governance of contributory obligations.

The ETUC supports the possibility put forward by President-elect Ursula von der Leyen to introduce a European unemployment reinsurance scheme.

**The Recommendation is meant to trigger the upward convergence process envisaged in the EPSR, and to do so coherently through the European Semester.** This puts additional responsibilities on Member States, the Council and the European Commission to define strategies and monitor progresses that the Open Method of Coordination cannot guarantee (as proved by past experiences). The trade union movement is expecting a change of pace in the efforts made by all concerned institutional actors and social partners, efforts that should lead the EU policies well beyond a mere coordination of policies based on benchmarking and exchange of practices. Effective social dialogue at national level will be crucial to keep the pursuit of the objectives of the

Recommendation high on the government's agenda and ensure shared thus more effective reforms.

**Pensions remains under pressure** because fiscal requirements of SGP and CSRs in 2019 give prevalence to sustainability, envisaging restrictive measures impacting current pension systems. This in spite of the reiterated requests of trade unions to give priority to adequacy of pensions so that old age and pension incomes are protected in their purchasing power and can ensure living in dignity to all. The gender pension gap must be urgently addressed via legislative interventions that foster female employability, erase the gender pay gap, provide compensation for care duties. The sustainability of the pension adequacy rights stemmed by the EPSR must be pursued intervening on the improvement of the dependency ratio, providing more and better jobs. Minimum adequacy rights must be guaranteed to all, especially those who don't have the possibility to accrue adequate entitlements through the life-course.

## UN2030 Agenda and EU Semester

The EU needs to make a clear change towards sustainability and the Agenda 2030 of the United Nations ought to be the framework within which the EU sets out its targets and objectives for the next 10 years. In particular, the Agenda 2030 should set priorities for green and social investments. A mix of measures (e.g., revision of the SGP, InvestEU, structural funds, etc.) should boost investments under common EU objectives related to the UN2030 Agenda. Parameters should be introduced to ensure that a minimum level of investment will address climate change and introduce circularity into production cycles; and to invest beyond renewable energies into more decarbonized energies to achieve a fair social and environmental just transition.

Environmentally related challenges cannot win the support of people if people cannot rely on quality and well-remunerated jobs. It means that countries where the transition is deeper need a proportionate amount of resources to shelter workers against the negative effects of the transition they suffer on.

The ETUC welcomes the initiatives proposed by the next Commission President Ursula von der Leyen, putting forward a strategy for green financing and a Sustainable Europe Investment Plan, including turning parts of the European Investment Bank into Europe's climate bank (25% of its total financing dedicated to climate investment – to be doubled by 2025). However, if we want to fight climate change properly, the proposed amount for a **Sustainable Europe Investment Plan, €1 trillion of investment over the next decade,** seems feeble.

The ETUC demands a semester focused on ecological transition and social cohesion, and more democratic macroeconomic governance. We need massive investment in public transport, sustainable agriculture and renewable energies. These investments have to be integrated and monitored in the Semester process, especially in the Country Specific Recommendations.

## Social Dialogue and TU Involvement

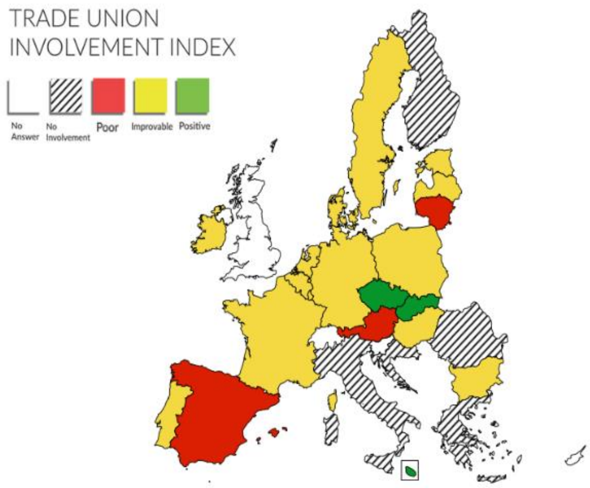
**Trade unions are not consulted as they should.** The European Commission continues its efforts in dialogue with social partners. This dialogue is effective however limited to policies that are strictly related to employment and labour market. Trade unions need to also be heard on other policy areas that also have an impact on jobs and their quality thereof, such as the fiscal, industrial and tax policies.

National Governments are reluctant to involve social partners in relation to the milestones of the Semester. For the third year in a row, the TU Involvement Index of the ETUC in 2019, covering 22 countries, has drastically reduced the number of good practices. Governments do not implement recommendations (either CSRs or EMCO conclusions) aimed at consulting social partners and promoting social dialogue.

In view that soft law instruments are delivering poor results, the ETUC considers that the time is ripe for an EU rule that establish the right of social partners to be consulted at national level. In the meantime, the following measures can improve social partners' involvement:

- Improving national EU missions, also in cooperation with the European social partners;
- Investing in capacity building for social partners;
- Reinforcing recommendations on social partners' involvement in less performing countries

Country Specific Recommendations aimed at supporting social dialogue in countries where it does not exist are welcome. However, social dialogue is an overarching policy structure enshrined in the EU Treaties. It has to be promoted and supported beyond the economic governance and cannot be subject to the boundaries of the SGP or of the Fiscal Compact. Indeed, social dialogue may provide a higher level of democratic legitimation to the European Semester, if social dialogue is autonomous, independent and supported by adequate legal frameworks.



## ANNEX 1: Trade union inputs for the Joint Employment Report

### LABOUR MARKET AND QUALITY OF JOBS

**The employment rate is increasing but there is no sign of convergence in terms of quality of employment.** An efficient labour market in all EU countries is of benefit for EU citizens. An efficient labour market includes the capacity to offer quality working contracts to workers. The ETUC sustains that quality employment should entail the following principles:

- Fair wages;
- job security through standard employment and access to social protection;
- lifelong learning opportunities;
- good working conditions in safe and healthy workplaces;
- reasonable working time with good work-life balance; and
- trade union representation and bargaining rights.

The only convergence that countries are showing is that for unemployment levels.

**Quality of employment is strictly linked to Life-Long Learning opportunities**. Several Member States received recommendations on skills, vocational educational reforms and Life-Long Learning that should now be followed up. The growing number of digital services are now suffering the lack of digital skills of the EU citizens using them, and adaptability and employability of senior workers. Investments in skill are necessary to support the ecological transition.

**Countries record different capacities to bring long-term unemployment back to work.** Long-term unemployment has been almost halved during the last five years, however showing little sign of convergence so far. The same non-convergent dynamics can be recorded for participation in activation measures.

**Quality of employment of young people is often neglected.** While youth unemployment is declining (but still at high levels, especially in southern east countries), young workers suffer from low wages, lack of recognition of the level of qualification, precarious working contracts and poor access to social protection. NEETs are declining overall in the EU but still with huge differences between countries.

**Health & Safety at work should be a key priority and needs more effective eMonitoring tools.** The Social Scoreboard does not monitor development of rights at work (Chapter II of the EPSR) as well as Goal 8 European indicators (the ETUC supports the ITUC campaign Time for 8). Indicators concerning accidents at work, occupational diseases, casualties and injuries are on the increase in many countries. It shows that the current legislative framework at EU level does not protect workers from downward pressure on H&S conditions in some parts of the single market. The enforcement of legislative measures through the support of the labour inspectorate and the promotion of health and safety representatives should go hand in hand with monitoring of policy frameworks in the Semester.

**The gender employment gap is converging upward even if the gap in part-time arrangements persists.** The **pay gap remains high all over Europe**. Therefore, while employment trends have a positive impact on the employment gap, women seem to remain more exposed to precarious work and lower pay compared to male colleagues. The European Semester may achieve upward convergence but should be supported by a new legislative framework that removes pay-gaps. Also it is necessary to have a quick implementation of the Work-Life Balance Directive, with a stronger coordinated action of member states to finance work-life balance instruments, including a childcare guarantee.

**The ETUC asks to set up EU investment tools and active labour market policies by 2020; this would support workers in sectors facing technological change and mitigate disruptive effects of technological and green transitions.** This should include initiatives towards a digital single market that is respectful of workers, their rights (to data protection, to disconnect, and to information, consultation and participation) and their working environment and conditions. In some EU Countries, the pay gaps are largest when comparing situations of stable and precarious workers. The semester 2020 should ensure equal pay for equal work, improve working conditions and access to social & labour rights for non-standard workers, including for platform workers, and to give self-employed and freelance workers the right to organise and bargain collectively, if necessary, adapting the EU Competition law. The Semester should encourage the use of standard forms, to avoid the introduction of even more precarious regimes, and giving a better chance to effectively manage incentives to work and ALMP.

**There is no upward convergence of collective bargaining coverage and this is a major source of discrimination among workers in the EU**. Collective bargaining coverage must be increased either to promote national and sectoral agreements or enhancing the capacity of collective agreements to provide protections to new form of work on the workplace and in the labour market (riders, interns, economically dependent self-employed, temporary workers, platform workers).

**The ETUC calls on the European Commission to continue supporting young people in their transition to the labour market by maintaining and strengthening the Youth Guarantee** (YG) programme or turning the YG into a permanent instrument to fight youth unemployment and inactivity. YG will need more financial resources, and more social partners involvement at national level in the design, implementation and evaluation of these schemes. The possibility of a transnational Youth Guarantee (linked with mobility and migration) should be explored.

**Another loathsome area of discrimination concerns the immigrant population**. Country reports regularly monitor the labour market position of immigrants. Some countries are introducing restrictive measures excluding asylum-seekers with a work permit from labour market activation measures, thus hindering their opportunities to find a job. It will only weaken the position of third-country nationals on the labour market and will create unfair competition on the labour market, especially for the lower wage segment.

**The Semester should also consider the level of enforcement of EU laws and social rights**, considering that during the crisis the budget of the enforcement institutions were severely cut and have not recovered yet. Inspectorates and controlling institutions require well equipped and trained staff, and sufficient resources need to be allocated from the public budgets.

## Annex 2: Statistical Annex: Graphs and Figures

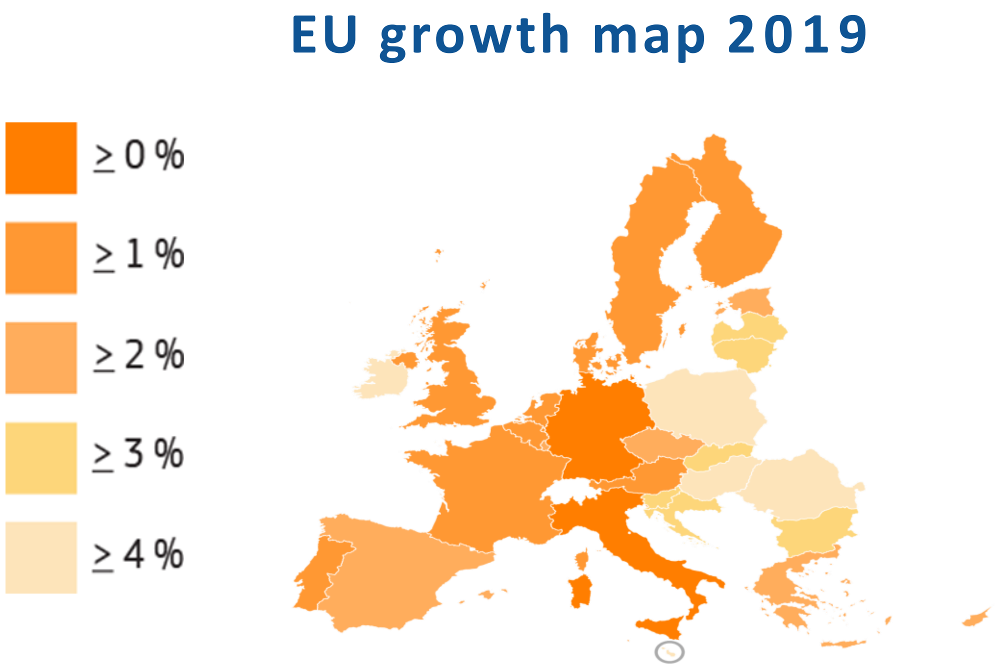
The Semester 2019 terminated with the commitment to reinforce the governance and resilience of the European Union and with a renewed engagement to completing the Euro Area. On the wave of a moderate but steady economic growth, the Council recommended[3] strengthening the conditions that support wage growth (respecting the role of social partners) and implementing this in euro area Member States with large current account surpluses. Member States are called on to address labour market segmentation and ensure adequate social protection systems across the euro area. Labour transitions need active labour market policies and investments in skills.

This pro-growth narrative was balanced by a strong case for rebuilding fiscal buffers in euro area countries with high levels of public debt and relying on the possibility to support public and private investment, while improving the quality and the composition of public finances in all countries.

At the beginning of the Semester 2019[4] the ETUC asked the EU to increase fiscal space, to oppose populism. The request remained unheard. Today, Christine Lagarde affirms that Member States should have the capacity to use the fiscal space available to them to spend on improving their infrastructures … "to respond to the threat of populism". But his may not be enough.

### The Economic Outlook

The GDP contraction of its major national economies (such as Italy and Germany) may offset the average moderate growth in other EU countries.

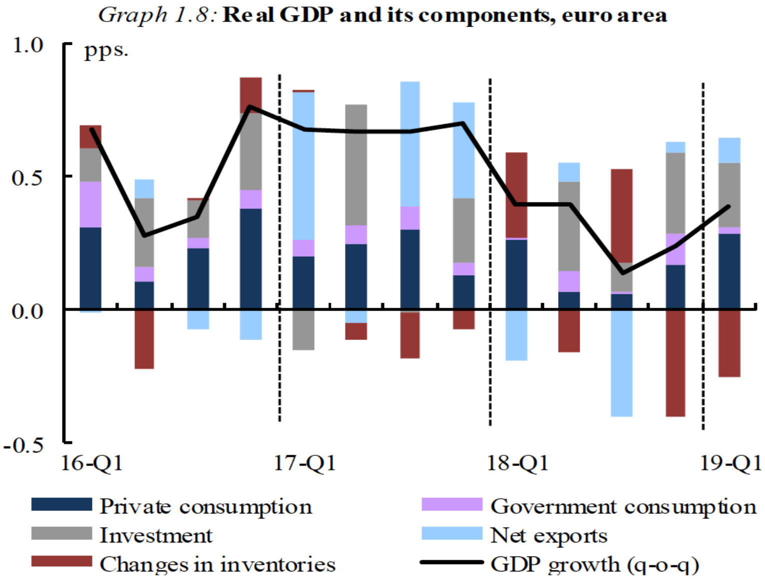


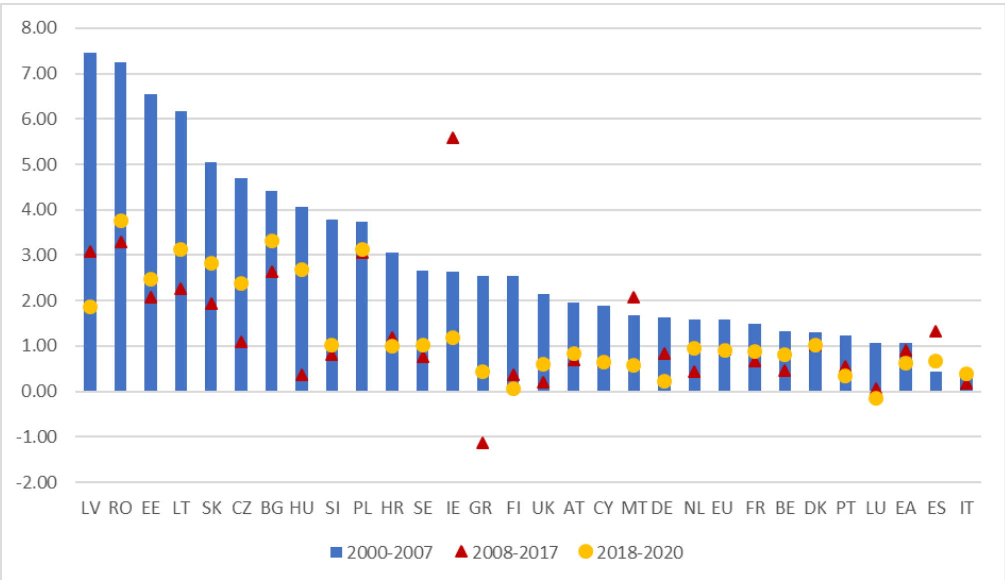

[3] Recommendation for a COUNCIL RECOMMENDATION on the economic policy of the euro area COM/2018/759 final (link)

[4] *All ETUC documents developed during the past EU semester cycles are available in the Resource Centre on the ETUC Semester Toolkit Website https://est.etuc.org/index.php/resource-centre*

1. Private consumption is contributing less than expected (even if more than in past years) to internal demand. Wage increases remain subdued, hence limiting the expansion of private consumption which is not able to offset the reduction in external demand caused by uncertainties on the global market.
2. Productivity trends are not supportive of wage growth. This is due mostly to the lack of investment especially in R&D, technology and skills. Productivity is a key issue because the EU will likely experience labour market shortages caused by shrinking or ageing of the population and tightening supply of work. This is also linked to a different management of working time increasing workers' sovereignty.

**Labour productivity has been slowing down…**



## Investments

Over the last decade (2009-2018), investments by governments in the euro area declined from 3.65% to 2.68% of GDP and from 3.72% to 2.89% in the EU. A sharp decline is recorded in big countries like Spain (from 5.11% to 1.97%), Italy (from 3.45 to 2.11%) France (from 4.26% to 3.38%) and Germany (from 2.36% to 2.24%), but with a lowest peak in 2014 (2.6%). Productivity trends are not supportive of wage growth. This is due mostly to the lack of investment especially in R&D, technology and skills. Productivity is a key issue because the EU will likely experience labour market shortages caused by shrinking or ageing of the population and tightening supply of work. This is also linked to a different management of working time increasing workers' sovereignty.

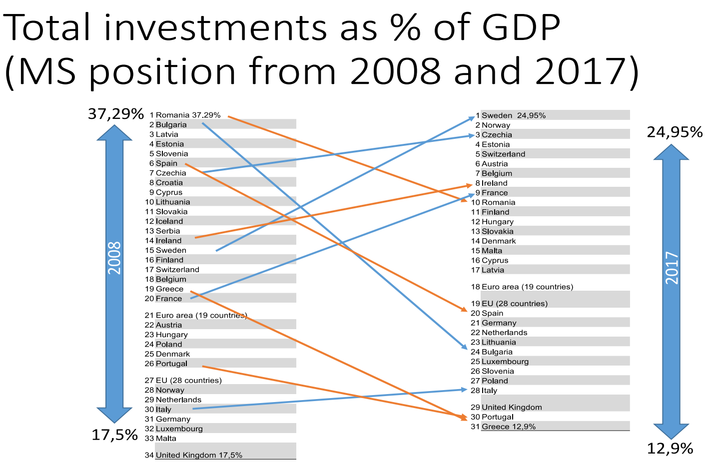
| Member State | Government Debt % GDP | | Government Surplus/deficit % GDP | | Government Structural balance % potential GDP | | Government Expenditure for Interest on public debt % GDP | | GDP % Growth (y-o-y) | Gross Financing Needs % GDP | Holders of government debt % of total government debt 2018 | | | | Yield on sovereign bonds (10 years) | Medium-term fiscal sustainability[4] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2018 | 2019[1] | 2018 | 2019[1] | 2018 | 2019[1] | 2018 | 2019[1] | 2019[1] | 2019[1] | Non-residents | Domestic Financial Institutions (excl. central bank) | Central Bank | Domestic Households and Companies | May 2019 | |
| BE | 102.0 | 101.3 | -0.7 | -1.3 | -1.4 | -1.4 | 2.3 | 2.1 | 1.2 | 17.3 | 52.7 | 30.2 | 13.2 | 3.9 | 0.41 | 4,3 |
| DE | 60.9 | 58.4 | 1.7 | 1.0 | 1.6 | 1.1 | 0.9 | 0.9 | 0.5 | 10.2 | 47.7 | 32.7 | 17.7 | 1.9 | -0.13 | -2.0 |
| EE | 8.4 | 8.5 | -0.6 | -0.3 | -2.2 | -1.7 | 0.0 | 0.0 | 2.8 | : | 57.2 | 36.8 | 0.0 | 6.0 | : | -4.3 |
| IE | 64.8 | 61.3 | 0.0 | 0.0 | -1.4 | -1.2 | 1.6 | 1.5 | 3.8 | 8.7 | 59.7 | 29.7[3] | : | 10.6 | 0.50 | -0.9 |
| EL | 181.1 | 174.9 | 1.1 | 0.5 | 5.0 | 1.9 | 3.3 | 3.5 | 2.2 | 8.8 | 82.4[2] | : | : | : | 3.37 | -4.3 |
| ES | 97.1 | 96.3 | -2.5 | -2.3 | -2.7 | -2.9 | 2.5 | 2.3 | 2.1 | 17.2 | 45.4 | 35.0 | 19.3 | 0.3 | 0.87 | 5.2 |
| FR | 98.4 | 99.0 | -2.5 | -3.1 | -2.6 | -2.6 | 1.7 | 1.6 | 1.3 | 18.4 | 47.3 | 34.0 | 15.5 | 3.2 | 0.30 | 4.2 |
| IT | 132.2 | 133.7 | -2.1 | -2.5 | -2.2 | -2.4 | 3.7 | 3.6 | 0.1 | 21.3 | 29.4 | 47.8 | 17.3 | 5.6 | 2.64 | 9.4 |
| CY | 102.5 | 96.4 | -4.8 | 3.0 | 2.0 | 1.1 | 2.5 | 2.4 | 3.1 | 3.5 | 76.5 | 19.1 | 0.7 | 3.8 | 1.34 | -0.7 |
| LV | 35.9 | 34.5 | -1.0 | -0.6 | -2.1 | -1.6 | 0.7 | 0.7 | 3.1 | 3.9 | 74.0 | 11.1 | 11.9 | 3.0 | 0.51 | -2.0 |
| LT | 34.2 | 37.0 | 0.7 | 0.3 | -0.8 | -1.0 | 0.9 | 0.8 | 2.7 | 9.3 | 72.5 | 13.6 | 12.3 | 1.6 | 0.31 | -1.8 |
| LU | 21.4 | 20.7 | 2.4 | 1.4 | 2.1 | 0.9 | 0.3 | 0.2 | 2.5 | 0.8 | 44.1 | 55.0[3] | : | 0.9 | 0.02 | -4.8 |
| MT | 46.0 | 42.8 | 2.0 | 1.1 | 1.4 | 0.6 | 1.5 | 1.4 | 5.5 | 4.7 | 13.0 | 43.4 | 18.2 | 25.4 | 0.95 | -4.7 |
| NL | 52.4 | 49.1 | 1.5 | 1.4 | 0.8 | 0.7 | 0.9 | 0.8 | 1.6 | 7.4 | 40.0 | 39.0 | 19.1 | 1.9 | 0.11 | -1.7 |
| AT | 73.8 | 69.7 | 0.1 | 0.3 | -0.5 | -0.1 | 1.7 | 1.5 | 1.5 | 7.4 | 66.5 | 17.0 | 16.1 | 0.5 | 0.24 | -0.8 |
| PT | 121.5 | 119.5 | -0.5 | -0.4 | -0.4 | -0.5 | 3.5 | 3.3 | 1.7 | 13.5 | 52.1 | 22.2 | 12.4 | 13.2 | 1.02 | 4.3 |
| SI | 70.1 | 65.9 | 0.7 | 0.7 | -0.7 | -0.8 | 2.0 | 1.6 | 3.1 | 8.2 | 62.3 | 16.8 | 20.6 | 0.4 | 0.38 | 0.2 |
| SK | 48.9 | 47.3 | -0.7 | -0.5 | -1.3 | -1.3 | 1.3 | 1.3 | 3.8 | 2.9 | 57.5 | 21.3 | 20.1 | 1.1 | 0.45 | -2.9 |
| FI | 58.9 | 58.3 | -0.7 | -0.4 | -1.0 | -1.0 | 0.9 | 0.9 | 1.6 | 6.6 | 63.3 | 15.5 | 18.6 | 2.5 | 0.25 | -0.1 |
| EA-19 | 85.1 | 85.8 | -0.5 | -0.9 | -0.7 | -0.9 | 1.8 | 1.8 | 1.2 | 14.1 | 44.4 | 33.2 | 16.8 | 3.6 | : | 2.1 |

Notes: [1] estimates for 2018 and forecasts for 2019; [2] complete data are not available: 82.4 corresponds to loans; [3] including central bank; [4] European Commission assessment in 2019.
: =not available.
*Please see the table overleaf for information on definitions and sources.*

The crisis and the productive transitions have completely overhauled the investment positions of Member States. The aggregate level of total investment declined, so that countries have climbed the rank only keeping their levels unchanged. Investments in the manufacturing sector are declining. In particular, industries are not investing in new technologies that help a green transition. Excluded the construction sector, investment levels in the EU remain subdued. There are many reasons for that. However, it is of high concern that the capacities of bigger economies such as Italy and Germany are recording a sharp decline of the industry sector.

The euro area deficit has, for the first time in five years, increased to 0.9% of GDP, but still with a primary surplus (positive for five years in a row). Despite the requests of the trade union movement, the rigidity of the SGP was maintained and the contribution of governments to EU growth remains excessively low especially if compared with the weakness of the EU economy and the social difficulties of workers and their families.

The InvestEU programme[5] will be also able to contribute to boosting investment. However, being mostly based on public-private cooperation or partnership, the governance of the fund will be crucial to maintain adherence to the social returns, especially when InvestEU finances services of general interest.




## UN Agenda 2030

According to the Eurostat data on goals 1, 5, 3, 10 - just to mention few, Europeans are suffering from degrading working conditions. We need urgent action to raise minimum wages and give access to full time employment to stem in-work poverty. There is strong evidence that high coverage of collective bargaining and wage convergence cut in-work poverty by the half.

Goal 8 has been the focus of this year's HLPF. The EU is reporting on the progress of implementing the goal in Europe. Despite the fact that the ETUC has worked on most of the SDGs and considers them to be interlinked and inseparable, the goal 8 is clearly one of the key goals for the trade union movement. Our experience says that the 2030 Agenda cannot win the support of people if people cannot rely on quality and well-remunerated jobs.

Notwithstanding the difficulties, the EU remains the global benchmark for Goal8. One of the outcomes emerging from the ITUC survey on SDG8 (ETUC supports the campaign Time For 8 of the ITUC) is that integrated economies (such as the EU) perform better in terms of decent work but only if they are strongly anchored to democratic structures. And if you look inside the European development model, you will suddenly realise that what makes the EU different from other regions of the world is social dialogue.

## Implementing The EPSR

Two years after the adoption of the EPSR, there are no signs of convergence in working conditions. The single market evolves in a context of great disparities. Inequalities in Europe are increasing everywhere.

Two years after the adoption of the EPSR, there are no signs of convergence in working conditions. The single market evolves in a context of great disparities. Inequalities in

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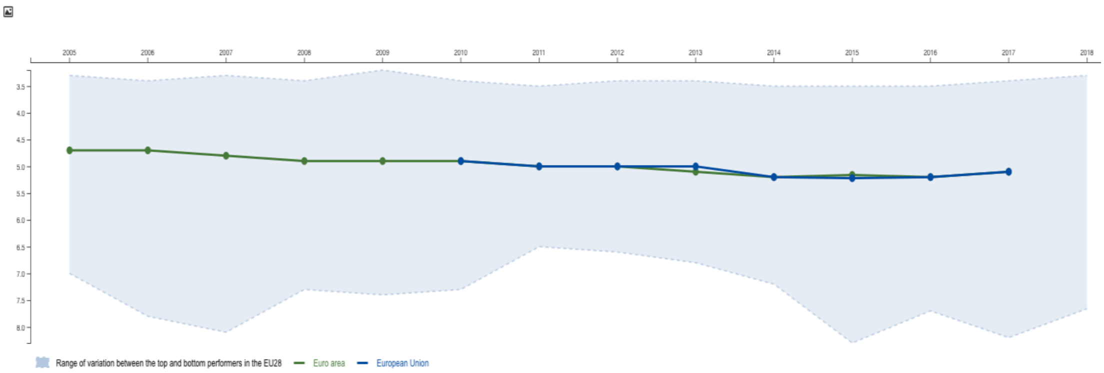
[5] *Information on the InvestEU programme is available in more languages on [https://europa.eu/rapid/press-release_MEMO-18-4010_en.htm](https://europa.eu/rapid/press-release_MEMO-18-4010_en.htm)*

Europe are increasing everywhere. In the annex are some graphs showing the geo gap existing on many of the policy areas covered by the EPSR.

**Inequalities within countries**

| | |
|---|---|
| Relative median at-risk-of-poverty gap | ↘ |
| Income distribution | ↘ |
| Income share of the bottom 40 % of the population | ↘ |
| People at risk of income poverty after social transfers | ↘ |

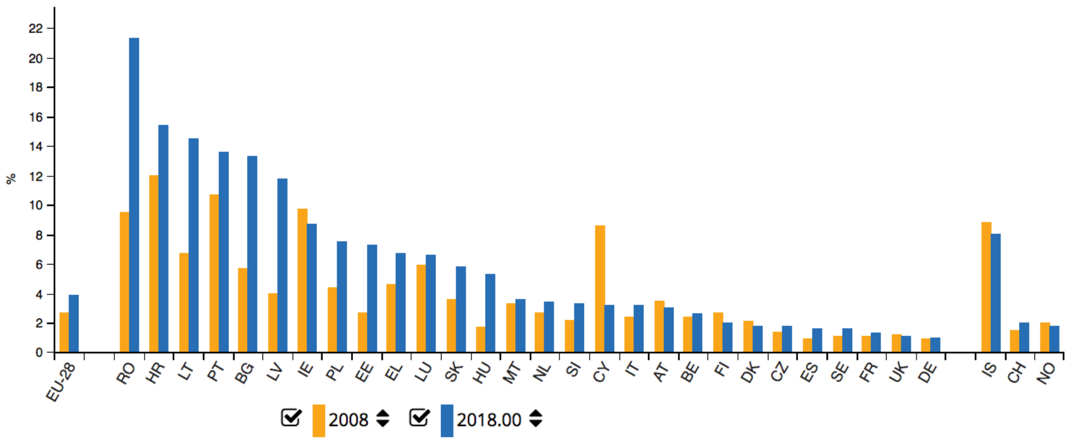
**Income inequality**




| Country | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Euro area | 4.7 | 4.7 | 4.8 | 4.9 | 4.9 | 4.9 | 5 | 5 | 5.1 | 5.2 | 5.16 | 5.2 | 5.1 |
| European Union | | | | | | 4.9 | 5 | 5 | 5 | 5.2 | 5.22 | 5.2 | 5.1 |

Within a single market, deepening divergences may be compensated by movement of people. This is exactly what is happening in the EU. During the crisis, people exercising free movement almost doubled (often replacing third-country nationals on the labour market). They are mostly young, well-educated workers. The graph shows that the movement goes from the periphery (mostly Balkans, Baltics, and countries with Troika) to the centre. A handful of countries hosts the bulk of the migration stocks. If mobility were well managed, especially reinforcing the equal treatment principle, it could generate, on one hand, competition on low- and mid-wage positions, and on the other, strong compensation award for top positions. It raises the necessity to rethink the mobility policies, mitigating the brain drain effects and encouraging return of emigrants.

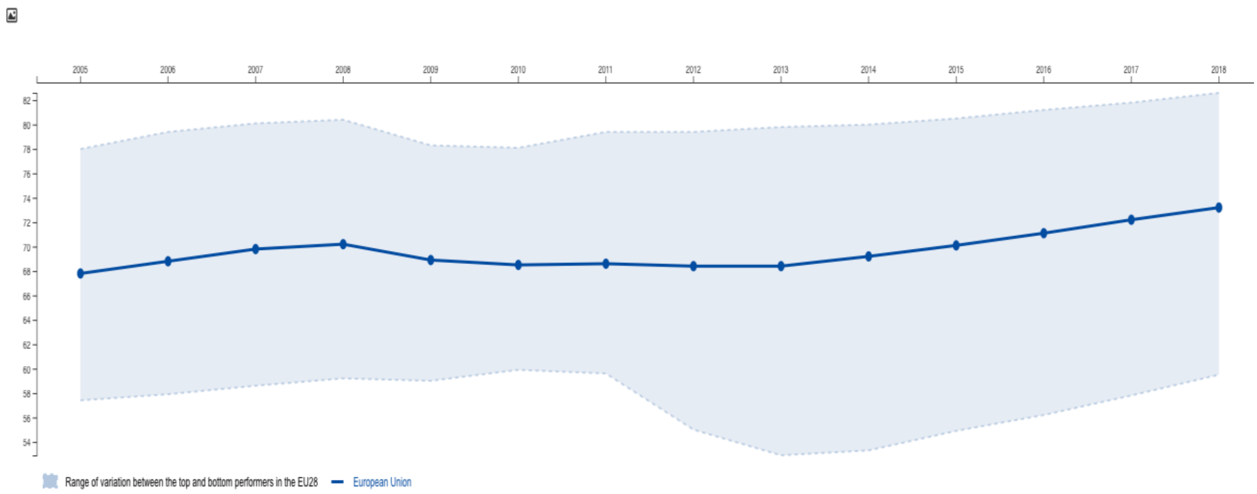
*EU mobile citizens of working age (20-64) by country of citizenship, % of their home-country resident population*




## Labour Market

The employment rate is increasing but with no sign of convergence. Highly populated countries, such as Spain and Italy, are depressing the employment rate for the entire EU. Figures show huge disparities among countries and a strong segmentation of the EU labour market. Italy, for instance, has a very low activity rate. It is a huge loss of workforce for one of the most populated and industrialised European countries.

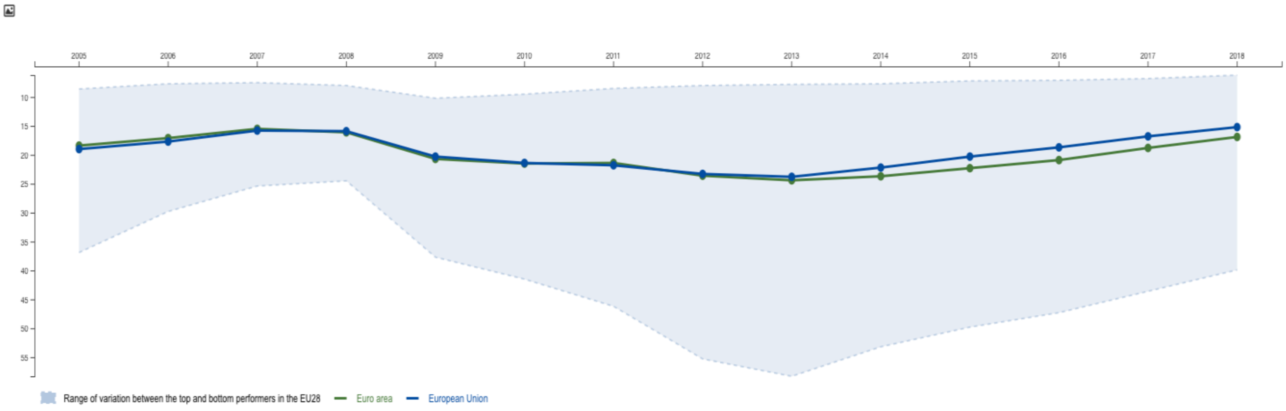
### Employment rate




| Country | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| European Union | 67.8 | 68.8 | 69.8 | 70.2 | 68.9 | 68.5 | 68.6 | 68.4 | 68.4 | 69.2 | 70.1 | 71.1 | 72.2 | 73.2 |

Youth unemployment is going down. Here it is possible to see the upward convergence, maybe because of a coordinated effort at EU level. Unemployment among young people however remains excessively high. Quality of employment of young people is an issue as they suffer from low wages, overqualification, precarious working contracts and poor access to social protection. NEETs are declining at 10.6% for the EU but still with huge differences between countries, ranging from 19.2% (Italy) to 4.2% in the Netherlands.

### Youth unemployment rate

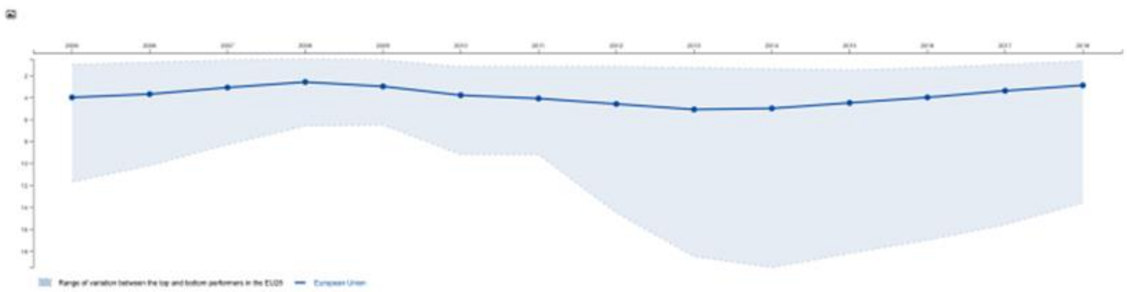



| Country | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Euro area | 18.4 | 17.1 | 15.5 | 16.1 | 20.7 | 21.5 | 21.4 | 23.6 | 24.4 | 23.7 | 22.3 | 20.9 | 18.8 | 16.9 |
| European Union | 19 | 17.7 | 15.8 | 15.9 | 20.3 | 21.4 | 21.8 | 23.3 | 23.8 | 22.2 | 20.3 | 18.7 | 16.8 | 15.2 |

Long-term unemployment has been almost halved during the last five years (dropping from 5.1% in 2013 to 1.9% in 2018). However, the national scores vary from 1% to 14%, showing little sign of convergence so far. The transition rate, as a percentage of persons on a temporary contract moving to a permanent contract between two consecutive years, ranges from 14.8% to 60% but with a EU average stuck at 24.7%. It is a quite low rate in a logic of upward convergence. The same non-convergent dynamics can be recorded for participation in activation measures.

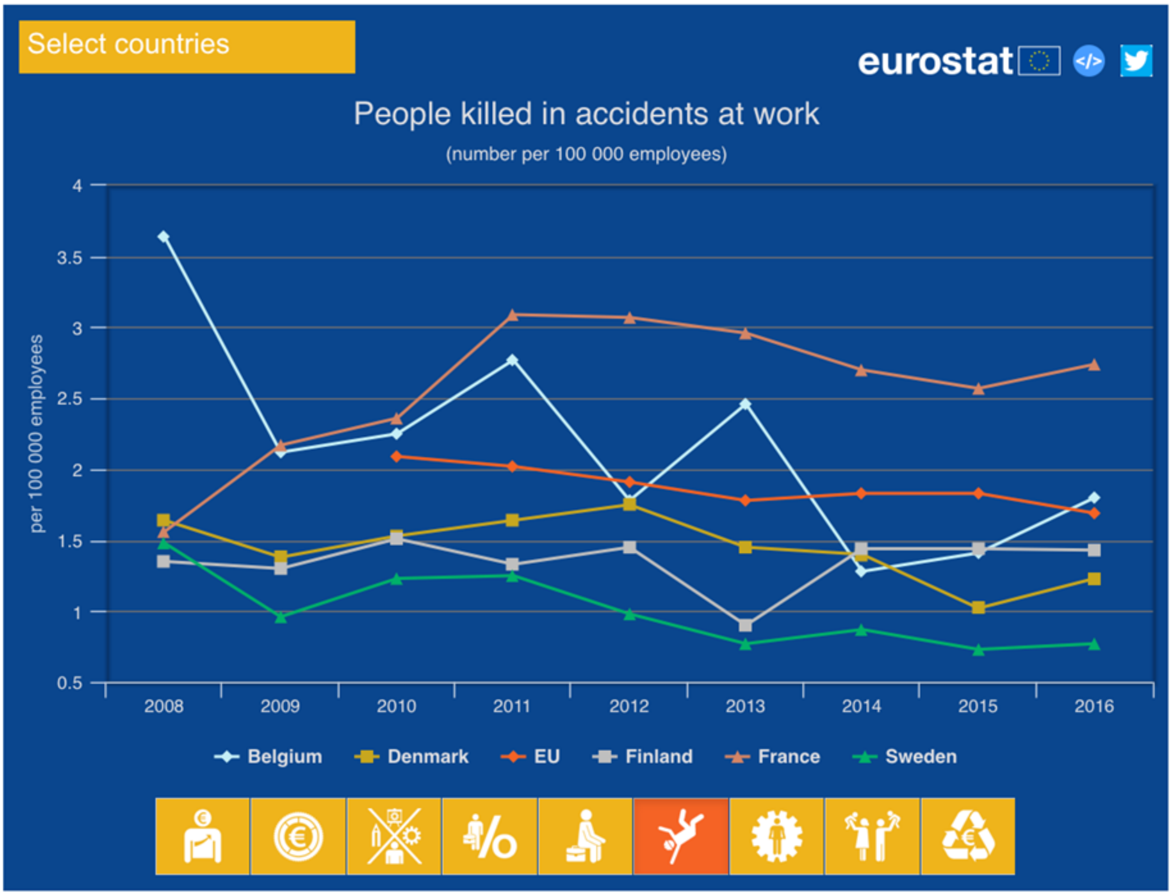
## Job Quality

### Share of long-term unemployment



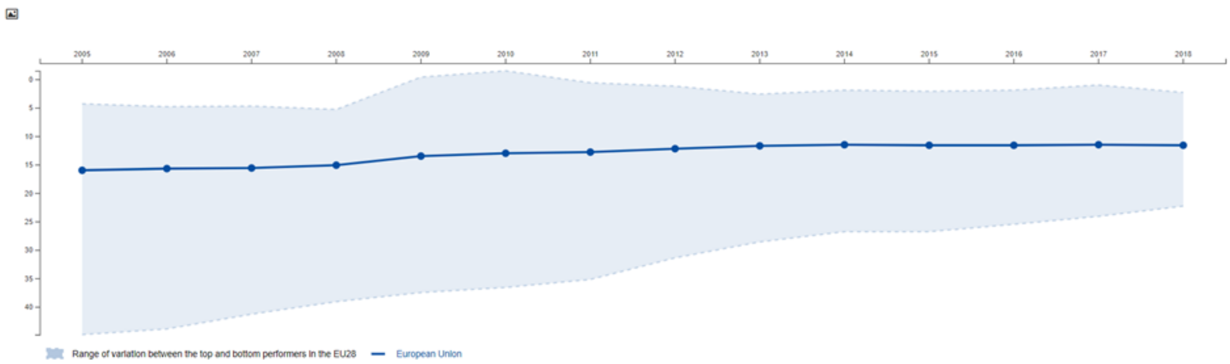
| Country | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| European Union | 4 | 3.7 | 3.1 | 2.6 | 3 | 3.8 | 4.1 | 4.6 | 5.1 | 5 | 4.5 | 4 | 3.4 | 2.9 |

The indicator concerning casualties caused by accidents at work is improving (but the number of injuries may lead to different results). However, Nordic countries perform better than the EU average and big countries such as France. Belgium records alternate performances. The only possible strategy we have is to aim for zero accidents. Health & Safety should be a key priority. But we need a monitoring instrument for the Social Pillar, which we do not have yet.

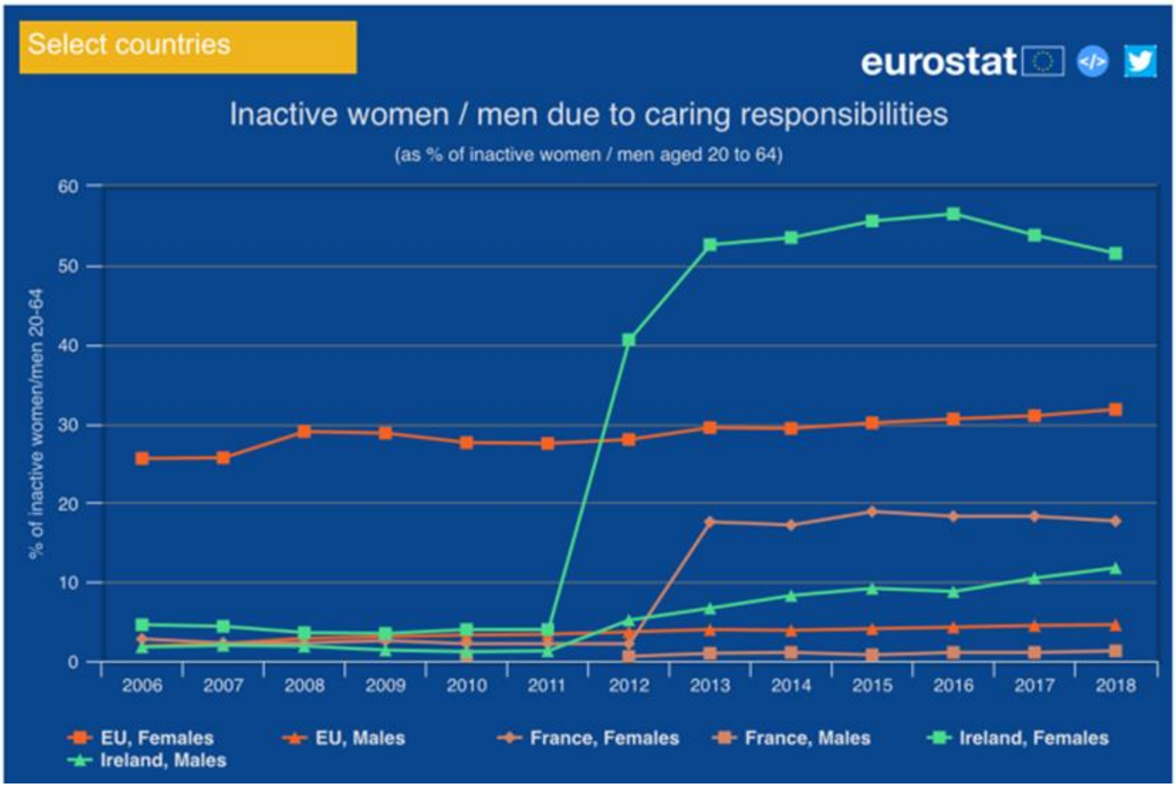



The gender employment gap is converging upward even if the gap in part-time arrangements persists. The pay gap remains high all over Europe (see priority 4, below). Therefore, while employment trends have a positive impact on the employment gap, women seem to remain more exposed to precarious work and lower pay compared to male colleagues. Another important sign of discrimination is that the rate of inactive women due to family care is 34%, and on the increase, while the male rate stays at 4.6%.

**Gender employment gap**




| Country | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| European Union | 16 | 15.7 | 15.6 | 15.1 | 13.5 | 13 | 12.8 | 12.2 | 11.7 | 11.5 | 11.6 | 11.6 | 11.5 | 11.6 |


Select countries
eurostat
Inactive women / men due to caring responsibilities
(as % of inactive women / men aged 20 to 64)
% of inactive women/men 20-64
0
10
20
30
40
50
60
2006
2007
2008
2009
2010
2011
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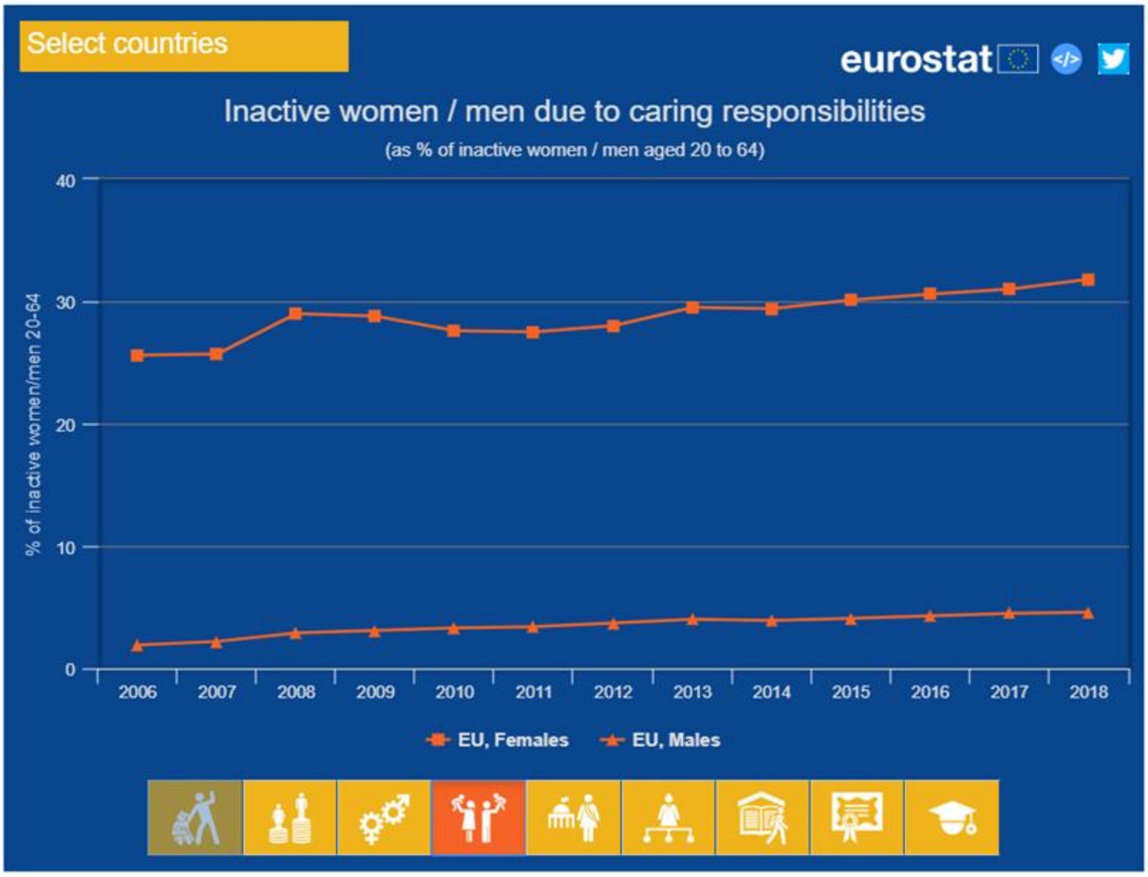
2016
2017
2018
EU, Females
EU, Males
France, Females
France, Males
Ireland, Females
Ireland, Males


Select countries
eurostat
Inactive women / men due to caring responsibilities
(as % of inactive women / men aged 20 to 64)
% of inactive women/men 20-64
0
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30
40
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
EU, Females
EU, Males

## Wages and Collective Bargaining Scoreboard

In order to reinforce coordination of collective bargaining and wage policies, the ETUC and the Collective Bargaining and Wages Coordination Committee (CBWCC) were called to:

- Continue coordinating and mainstreaming trade unions' demands on upward convergence of wages and working conditions through the European semester cycles;
- Developing better cross-border coordination of collective bargaining and wage policies.

Four top priorities (areas of work) were identified:

1. Enhancing free and autonomous collective bargaining;
2. Pursuing an upward wage convergence;
3. Combating in-work poverty;
4. Fighting inequalities and discrimination.

A fifth priority, i.e. the respect of the ETUC Golden Wage Rule (GWR), has been added to the set of priorities, as this represents a long-standing pillar for ETUC wage policies developed within the CBWCC through the years.

The implementation of these four (plus one) priorities is here monitored on the basis of five criteria below:

- PRIORITY 0: Respect of the ETUC Golden Wage Rule (wage increases at least in line with inflation plus productivity) > Wage share of the GDP at total factor cost;
- PRIORITY 1: Enhancing free and autonomous collective bargaining > Collective bargaining coverage;
- PRIORITY 2: Upward wage convergence > Nominal wage gaps;
- PRIORITY 3: Combating in-work poverty > In-work at-risk-of-poverty rate;
- PRIORITY 4: Fighting inequalities and discrimination > Gender pay gap

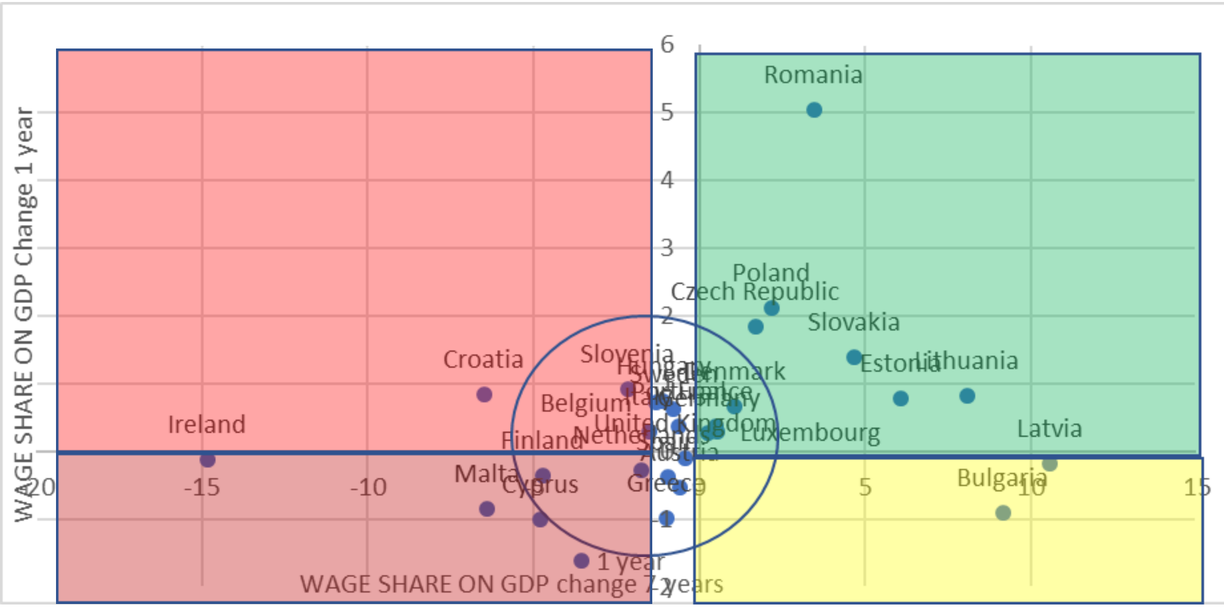
## ETUC Wage Golden Rule

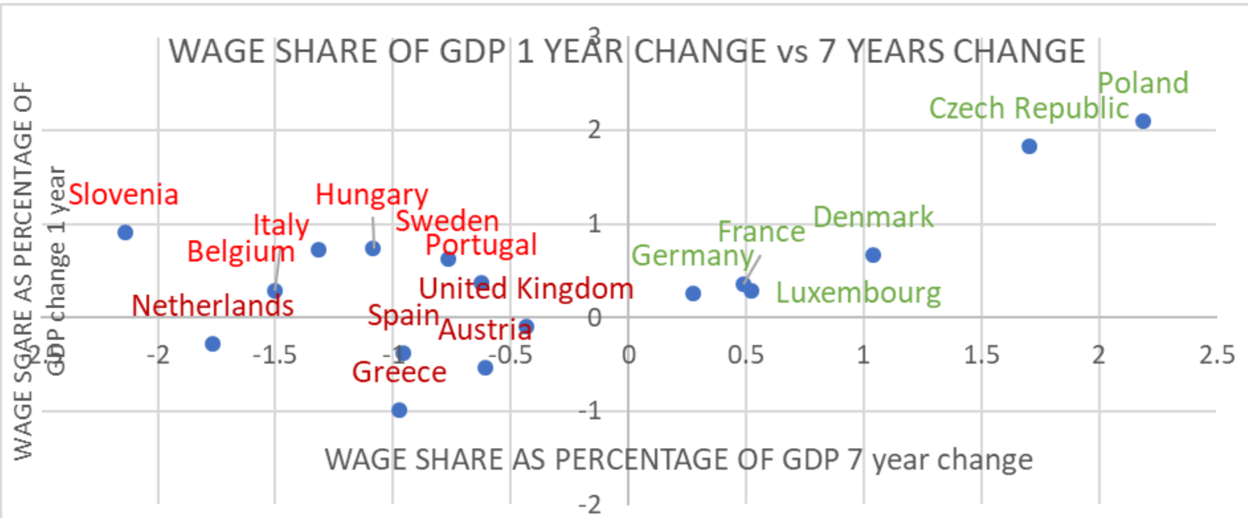
The "Wage Golden Rule" was adopted as it is the easiest way to ensure that wage trends are positive and not detrimental for workers of other European countries. Nowadays, the ETUC is continuously campaigning for negotiating more than the golden wage rule in order to revert the fall in wage share of GDP materialised over the last 40 (or even 50) years. This is even more true in low-wage countries and where we are supporting an upward wage convergence (east-west, north-south, within sectors and regions of the same country) to stop social dumping and enhance working and living conditions of workers.

The indicator we look at is the compensation per employee as percentage of GDP at factor cost per person employed.

*Benchmarking: If the wage share is constant (or increasing), wages are more likely evolving in line with the ETUC Golden Wage Rule (inflation + productivity). The trend has to be measured on the mid- and short-term. The country-based performance is so measured using two sub-indicators: Country based performance over the last 7 years (from T0 vs. T-6), and country-based performance over the last year (T0 vs T-1). Most recent data T0=2018.*

| 1year/7years (T0=2018) | Growth higher than GWR (T0 >T-6) | Growth lower than GWR (T0 < T-6) |
|---|---|---|
| Rule respected T0 > T-1 | CZ, DK, FR, LT, LU, PL, DE, EE, RO, SK | BE, IT, HU, PT, HR, SI, SE |
| Rule not respected T0 < T-1 | BG, LV | IE, GR, SP, CY, MT, AT, FI, UK, NL |



In general, it is possible to say that wage trends in the EU are not evolving in line with the golden rule inflation + productivity. Baltic and eastern countries of the EU (EE, LV, LT, BG, RO, PL, CZ, SK) record increases in real wages. These data have to be read together with the data on "convergence" (priority 2) and considering the very low level of departure (priority 3). In Germany the rule is respected, and the level of compensation is stable, but the indicator gives different results if we consider the past decade. However, it does not follow the recommendation (both for Germany and the euro area) on surplus countries to fuel positive wage dynamics.  Northern countries are showing a trend of wage moderation over the mid-term. Denmark shows a slight improvement in the short term, as well as in the mid-term. As for the Netherlands, the indicator shows a tendency over seven years of an almost flat real wage dynamics. The same applies for Greece, Spain, France, Italy, Luxembourg, Portugal and UK. The Balkan states have a negative trend over the last seven years, but their wages show an increase last year. Ireland continues to have a negative trend in its labour share of GDP, showing difficulties for wage trends to keep pace with GDP developments.

## Collective Agreements

Policies pursued by the EU in a number of Member States have contributed to the decline in the number of workers benefiting from a collective agreement. The push towards company level bargaining, the creation of opening clauses and the removal of legal frameworks for extending collective agreements across sectors and industries have contributed to a growing imbalance of power in workplaces and in the EU economy. This hostile environment should now be reversed. Building on the new social contract of the European Pillar of Social Rights EU policy must change direction towards strengthening and rebuilding trade union collective bargaining, in particular on sectoral level.

*Indicator: COLLECTIVE BARGAINING COVERAGE. Collective bargaining coverage rate corresponds to the ratio of employees covered by collective agreements, divided by all wage earners with right to bargaining.*
*Benchmarking:  all countries should fall in the range 70% - 100% of coverage. Specific consideration should be taken to collective bargaining coverage trends especially for countries at the edge of the upper clusters.*

| | Between 100% and 70% | Between 69,9% and 60% | Lower than 60% | … but lower than 30% |
|---|---|---|---|---|
| Coverage of CB | AT, DK, FIN, FR, IT, NL, SW, ES | NO, SLO | CZ, DE, GR (2013), IE, LUX, SK, ROM | EE, HU, LV, PT, LIT, PL (2012), UK |

Collective bargaining gives sign of improvement. However, it concerns only countries with long-standing traditions of collective bargaining and countries where recent reforms do not have dismantled collective bargaining structures. Weakness of collective bargaining is considered the root cause of many distortions of the economic growth such as stagnating wages, in-work poverty, inequality in income distribution, deepening of gender pay gap and other forms of discrimination. National inputs say that Czech Republic and Luxemburg are an exception as their social performances are improving, as confirmed by the Social Scoreboard of the EU.  In Germany, collective bargaining coverage is below the 50%.

Some positive development may be expected in Greece and Portugal where new collective bargaining rounds may start in 2019. The situation is quickly deteriorating in Romania as reported in the trade union input. In general, collective bargaining is suffering in Eastern countries.

Collective bargaining coverage should be considered a *conditio sine qua non* to achieve a more effective regulation of the labour market in Europe. The coordination within the European Semester is not able to achieve the upward convergence on collective bargaining and wage determination. A legislative support, setting minimum standards for minimum wages though collective bargaining may be useful in this regard.

## Pursuing an Upward Wage and Social Convergence

Wages are generally underperforming the economic performance in all member states. Growth in real wages is crucial to reduce inequalities and ensure decent and improving standards of living. Trade unions will continue to promote upward wage convergence in order to close the gap among workers who are being employed within the same production cycle and achieving the same level of productivity yet suffer from unjustified remuneration gaps.

Wage increases are also urgently needed in the public sector. Public sector workers have been suffering from wage freezes and cuts in many European countries for a decade now. Public sector workers should also benefit from economic growth.

Wage gaps among countries is far from being offset. Seventeen countries are diverging instead of converging. It happens also in countries where real wages mark a positive trend. Moreover, countries reporting increases in minimum wages (see priority 3) are not recording evident convergence trends. 15 countries are in situation of non-convergence and 12 show wage gaps that trigger distortive effects on the single market. As the table shows, the position of the countries remain unchanged in the course of time and the Semester is not able to achieve upward wage convergence.

*Indicator: Compensation of employees per hour worked.*
*Compensation-of-employee-per-hour-worked (COEPHW) in target country is measured against a benchmark. The benchmark is calculated as the decile including the 10% of the EU workforce with highest compensation-of-employee-per-hour-worked. The highest decile sets the benchmark at € 34.7 (year 2018, benchmark in France).*
*Position of each country is set dividing the data of the reporting country by 34.7.*

$COEPHW_{target\text{-}country} / COEPHW_{benchmark} = COEPHW_{Coefficient} * 100$

*Benchmarking: The COEPHW coefficient should be higher than 80%. If the COEPHW coefficient is between 80 and 70%, the situation has to be monitored. If COEPHW coefficient is lower than 70% it shows a too wide wage gap. If the COEPHW is less than 50% it shows a critical situation.*

*Benchmark: France (it catches the lowest hedge of top decile of the richest European workforce)*

| COUNTRY | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Belgium | green | green | green | green | green | green | green | green | green | green | green |
| Bulgaria | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ |
| Czechia | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ |
| Denmark | green | green | green | green | green | green | green | green | green | green | green |
| Germany | green | green | green | green | green | green | green | green | green | green | green |
| Estonia | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ |
| Ireland | green | green | green | green | green | green | green | green | green | green | green |
| Greece | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ |
| Spain | red | red | red | red | red | red | red | red | red | red | red |
| France | green | green | green | green | green | green | green | green | green | green | green |
| Croatia | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ |
| Italy | yellow | yellow | yellow | yellow | yellow | yellow | red | red | red | red | red |
| Cyprus | ↓ | red | ↓ | ↓ | red | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ |
| Latvia | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ |
| Lithuania | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ |
| Luxembourg | green | green | green | green | green | green | green | green | green | green | green |
| Hungary | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ |
| Malta | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ |
| Netherlands | green | green | green | green | green | green | green | green | green | green | green |
| Austria | green | green | green | green | green | green | green | green | green | green | green |
| Poland | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ |
| Portugal | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ |
| Romania | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ |
| Slovenia | red | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | red |
| Slovakia | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ | ↓ |
| Finland | green | green | green | green | green | green | green | green | green | green | green |
| Sweden | green | yellow | green | green | green | green | green | green | green | green | green |
| United Kingdom | green | yellow | yellow | yellow | green | yellow | yellow | green | yellow | yellow | yellow |

*If > or = 80%* *If < 80% but or = 70%* *If < or ↓ 70%* *means < 50%*

**Combating in-work poverty through a quicker improvement of lower wages and of low-income households depending on wage earners.**

A quick increase in lower wages is needed to ensure a decent life for all wage earners and their families, with the aim of ending in-work poverty and of supporting upward wage convergence in Europe. The ETUC benchmark – which sets the lowest minimum wage level at 60% of the national average/median wage, to be measured in a situation of simultaneously increasing median and average wages – guides trade union demands in countries with statutory minimum wages.

The fight against in-work poverty needs specific measures to combat undeclared work, with the main responsibility falling on public and judicial authorities' inspectorates. Social partners should offer support to workers to obtain lawful pay and recover outstanding payments.

In line with SDGs 8 and 10, trade unions will support actions aimed at improving the income of people in the bottom 40% of the population, pursuing a general demand for fairer wages and to introduce more progressive taxation in order to enhance wealth redistribution policies or shifting tax from labour to other tax sources, while ensuring the capacity of public authorities to provide high quality and universally accessible public services – including quality education for all – and social protection schemes. Statutory minimum wages, where they do exist, should be high enough to prevent in-work poverty and ensure upward convergence of working and living conditions in Europe.

The EU and its Member States are not progressing in their fight against poverty as expected. With the exception of material deprivation, indicators of poverty are deteriorating or not improving.  Particularly worrying is the persistent deterioration and divergent dynamics of poverty among people depending on wages. The trade union movement should draw attention to the fact that in-work poverty is influenced by collective bargaining and its coverage rate. Collective bargaining, in countries pursuing upward wage convergence, is a remedy against in-work poverty (as confirmed by the ETUC scoreboard applied in other countries). That is why, for instance, we insist so much on having a legislative initiative that improves effectiveness and coverage of collective bargaining in all EU countries.

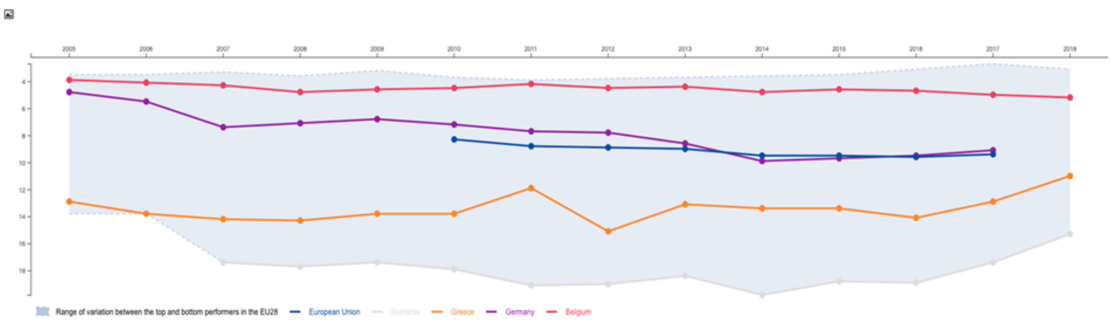
*Indicator: In-work at-risk-of-poverty rate (IWP). Target= 0 poverty. Benchmarking: simple average of countries that at the same time are in a situation of high coverage of collective bargaining and of wage convergence: BE, FR, NL, DK, AT, FI, SE. It sets the benchmarking moving around an in-work poverty rate at 5,9% (IWP Coefficient) against the 9.4% of the EU average (EU IWP Coeff.). None of the EU countries have reduced in-work poverty for five years in a row. On the contrary, all member states have experienced an increase of in-work poverty at least for 1 year during the last 5 years.*

| Country | IWP = 0 | Cx ≤ IWP Coefficient | Cx > IWP Coefficient | … but Cx ≥ EU IWP Coeff. |
|---|---|---|---|---|
| Country x | - | BE, CZ, DK, IE, HR, FI, MT | DE, EE, FR, CY, LV, LT, NL, AT, SI, SK, SE, UK | BG, GR, ES, IT, LU, HU, PL, PT, RO |

Trade unions want that each and every worker can count on a wage that allow the work and it family to live in dignity. This is not the case for almost 10% of the EU population depending from a wage earner. The situation is particularly worrying in Bulgaria, Greece, Spain, Italy, Luxemburg, Hungary, Poland, Portugal and Romania. The situation in Luxemburg could be dependent by the high rate of migrant workers (40%).

In general, increased in-work poverty is one of the most loathsome legacies of the economic crisis and it is sign of the fragility of the current economic cycle. In Germany national inputs explain that workers with mini-jobs are more likely to live in a situation of poverty. While also in other countries, the minimum wage is not yet at living-wage levels.

**In-work at-risk-of-poverty rate**




| Country | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Belgium | 3.9 | 4.1 | 4.3 | 4.8 | 4.6 | 4.5 | 4.2 | 4.5 | 4.4 | 4.8 | 4.6 | 4.7 | 5 | 5.2 |
| Germany | 4.8 | 5.5 | 7.4 | 7.1 | 6.8 | 7.2 | 7.7 | 7.8 | 8.6 | 9.9 | 9.7 | 9.5 | 9.1 | |
| Greece | 12.9 | 13.8 | 14.2 | 14.3 | 13.8 | 13.8 | 11.9 | 15.1 | 13.1 | 13.4 | 13.4 | 14.1 | 12.9 | 11 |
| European Union | | | | | | 8.3 | 8.8 | 8.9 | 9 | 9.5 | 9.5 | 9.6 | 9.4 | |

| geo\time | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|
| EU (28 countries) | 8,80 | 8,90 | 9,00 | 9,50 | 9,50 | 9,60 | 9,40 |
| Euro area (19 countries | 8,50 | 8,60 | 8,70 | 9,40 | 9,40 | 9,50 | 9,40 |
| Belgium | 4,20 | 4,50 | 4,40 | 4,80 | 4,60 | 4,70 | 5,00 |
| Bulgaria | 8,20 | 7,40 | 7,20 | 9,20 | 7,70 | 11,40 | 9,90 |
| Czechia | 4,00 | 4,50 | 4,00 | 3,60 | 4,00 | 3,80 | 3,50 |
| Denmark | 6,30 | 5,20 | 5,50 | 4,90 | 5,50 | 5,30 | 5,30 |
| Germany | 7,70 | 7,80 | 8,60 | 9,90 | 9,70 | 9,50 | 9,10 |
| Estonia | 7,90 | 8,30 | 7,60 | 11,80 | 10,00 | 9,60 | 9,30 |
| Ireland | 5,60 | 5,60 | 5,00 | 5,40 | 4,80 | 4,80 | 5,10 |
| Greece | 11,90 | 15,10 | 13,10 | 13,40 | 13,40 | 14,10 | 12,90 |
| Spain | 10,90 | 10,80 | 10,50 | 12,50 | 13,10 | 13,10 | 13,10 |
| France | 7,60 | 8,00 | 7,80 | 8,00 | 7,50 | 7,90 | 7,40 |
| Croatia | 6,60 | 6,00 | 6,20 | 5,70 | 5,90 | 5,60 | 5,80 |
| Italy | 11,00 | 11,00 | 11,00 | 11,00 | 11,50 | 11,70 | 12,20 |
| Cyprus | 7,30 | 7,90 | 8,90 | 7,80 | 9,10 | 8,20 | 7,90 |
| Latvia | 9,30 | 8,60 | 8,90 | 8,10 | 9,20 | 8,30 | 8,80 |
| Lithuania | 9,50 | 7,60 | 9,10 | 8,30 | 9,90 | 8,50 | 8,50 |
| Luxembourg | 9,90 | 10,20 | 11,20 | 11,10 | 11,60 | 12,00 | 13,70 |
| Hungary | 6,20 | 5,70 | 7,00 | 6,70 | 9,30 | 9,60 | 10,20 |
| Malta | 6,10 | 5,20 | 5,90 | 5,70 | 5,40 | 5,80 | 5,70 |
| Netherlands | 5,40 | 4,60 | 4,50 | 5,30 | 5,00 | 5,60 | 6,10 |
| Austria | 7,60 | 8,10 | 7,90 | 7,20 | 7,90 | 8,30 | 7,70 |
| Poland | 11,10 | 10,40 | 10,70 | 10,60 | 11,20 | 10,80 | 9,90 |
| Portugal | 10,30 | 9,90 | 10,50 | 10,70 | 10,90 | 10,90 | 10,80 |
| Romania | 19,10 | 19,00 | 18,40 | 19,80 | 18,80 | 18,90 | 17,40 |
| Slovenia | 6,00 | 6,50 | 7,10 | 6,40 | 6,70 | 6,10 | 6,60 |
| Slovakia | 6,30 | 6,20 | 5,70 | 5,70 | 6,00 | 6,50 | 6,30 |
| Finland | 3,90 | 3,80 | 3,70 | 3,70 | 3,50 | 3,10 | 2,70 |
| Sweden | 7,50 | 7,20 | 7,60 | 7,70 | 8,00 | 6,70 | 6,90 |
| United Kingdom | 7,90 | 9,00 | 8,40 | 8,70 | 8,10 | 8,60 | 8,90 |
| BENCHMARK | 6,07 | 5,91 | 5,91 | 5,94 | 6,00 | 5,94 | 5,87 |

The fact that countries with high collective bargaining coverage (as Italy, Spain, Portugal) record over the EU average level of in-work poverty is a sign of long-standing stagnation of wages and ineffective social transfers caused by austerity measures.

**Fighting inequalities and discrimination: Gender pay gap**

*Indicator: Gender pay gap, Business Economy*

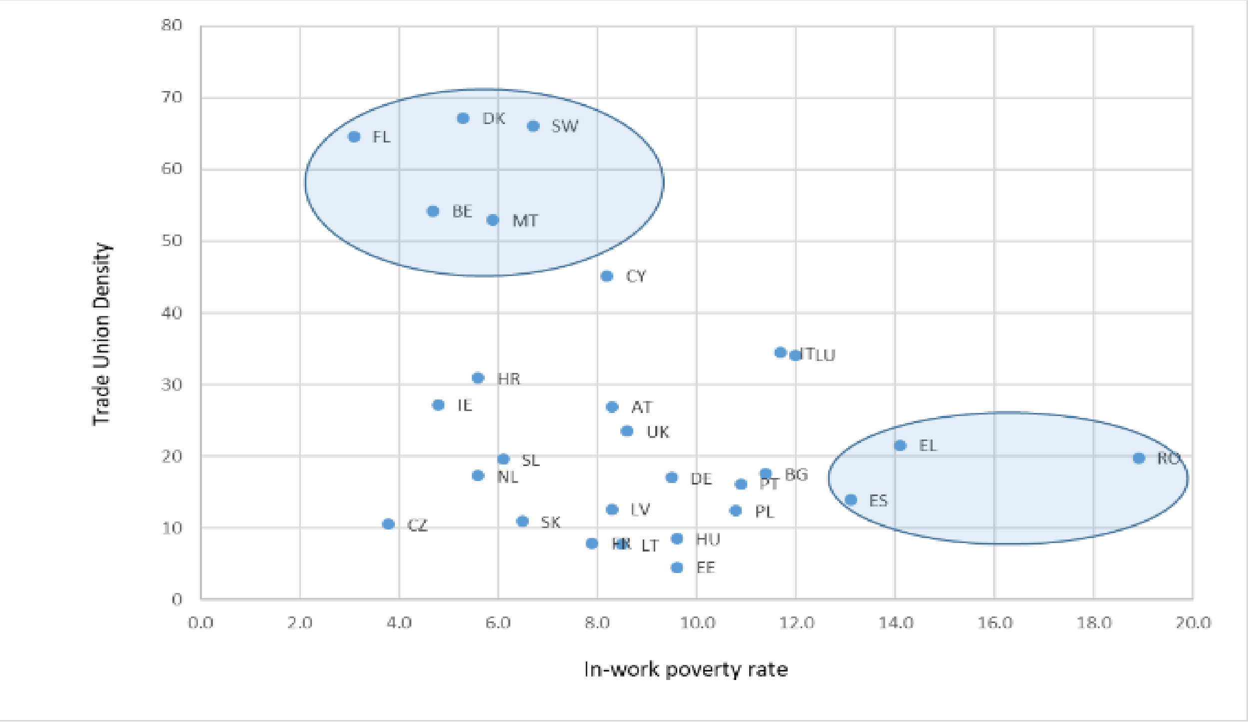
*Benchmark: Target is Gender Pay gap = 0. In order to catch performances of single member states a benchmarking is fixed on business sector. Benchmarking consider trends over the last 5 years. Benchmarking will combine a medium-term trend (T0-T-4) and the most recent trend (T0 - T-1).*

| Trend 5years\trends last year | Improving T0 < T-1 | Stable T0 = T-1 | Worsening T0 > T-1 | … if gap is > 20% |
|---|---|---|---|---|
| Improving (T0 < T-4) or < 5% | **BE, BG, IT, LUX, DK, SLO, SE, LT, HU, FIN** | **FR, PL** | | **PT, ES, CY, UK, NL, EE, DE, AT** |
| Stable (T0=T-4) | | | | |
| Worsening (T0>T-4) | **DK, HU, NO, LV** | | **CZ, LV, MT, HR (2014) GR (2014), ROM*, SLO*** | **AT, SK IE (2014),** |

Concerning the gender pay gap, fifteen countries show an improvement in the short term. However, in most of them the pay gap is too high (i.e. over 20%). Romania and Slovenia are the "best performers" with the lowest figures but their indicator has worsened over the past five years. Slovakia, Czech Republic and also Malta have experienced a gap increase. The new Work-Life Balance Directive and the Recommendation on access to social protection will offer an opportunity for a more in-depth monitoring of policies that impact on gender-based discrimination. Gender is not the only dimension of discrimination. We are aware that a migrant background or youth can be a source of discrimination as well.

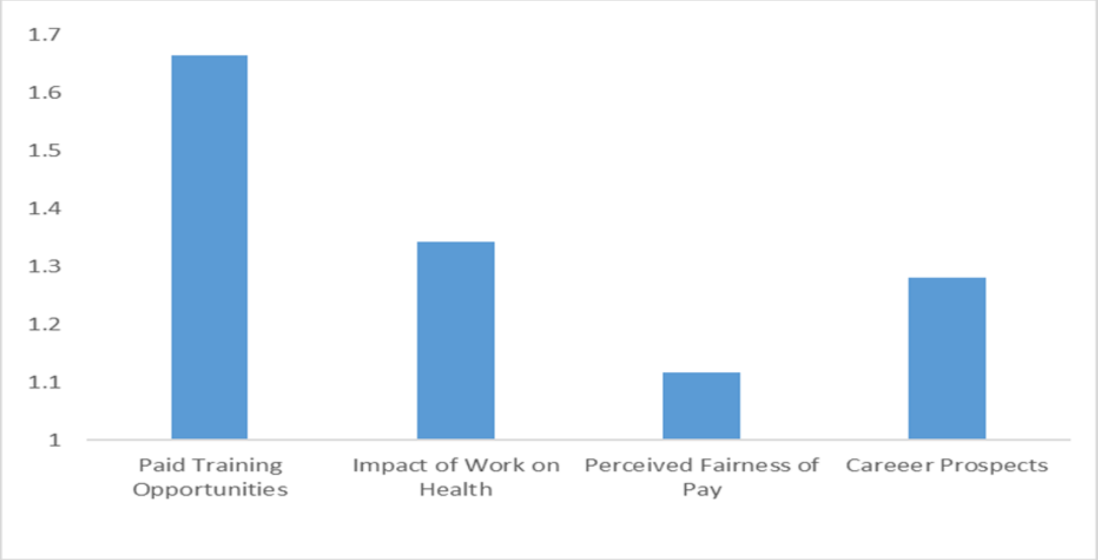
## Social Dialogue

### Countries with a high trade union density have lower poverty rates




This chart shows that the EU Member States with the highest trade union density show below average rates of in-work poverty, whereas the countries with the highest in-work poverty rates show an average or below average rate of union membership. With their involvement in welfare and social security policies, as well as through wage negotiation, social partners can contribute to a reduction of in-work poverty and to social sustainability.

***Employee representation improves the quality of work environment***



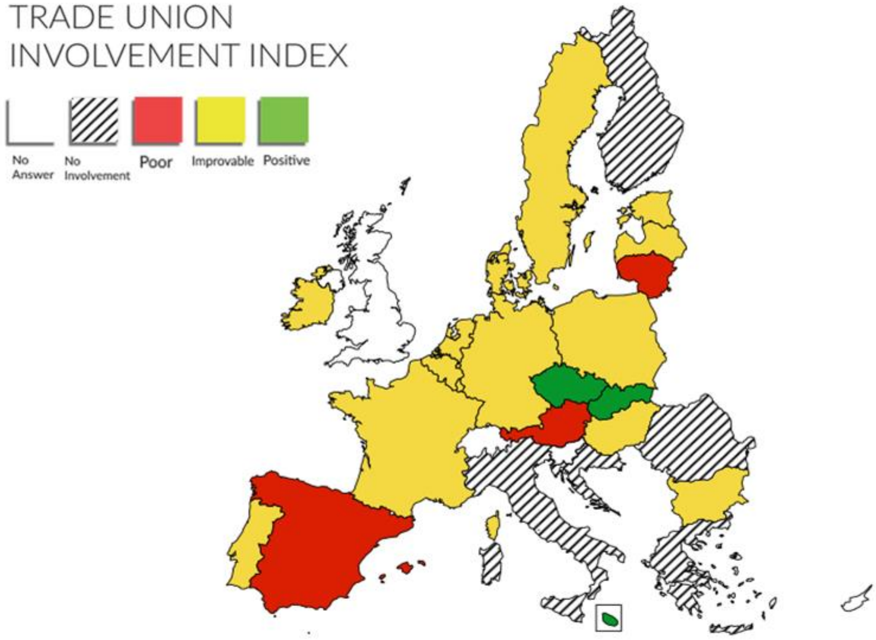

The chart on the right instead shows that workers are more likely to overall report good working conditions, if a workers' representation is ensured in the company. Trade union and work councils are positive for training opportunities. The chart shows that where a trade union or works council represents employees, the chances of receiving paid training are 66% higher.

## The Role of Social Dialogue and Involvement of Social Partners

The Trade Union Involvement Index 2019 records a surprisingly step back to the quality of employment. While countries with no-involvement were reduced from 9 to 5. Only 2 countries maintained their position of "good practice". Written consultation is most frequent way the government consults the social partners, and insufficient time remains the most likely factor that determines the poor quality of the consultation.

At European level, the consultation of trade unions is based on an improving cooperation between the European Commission and the ETUC. Consultations at the milestones of the Semester is based on structured dialogue, which is trigger at early-stage and at both political and technical levels. However, access to documents and information remain very limited. Normally consultations happen in a situation of lack of knowledge of what the main orientations of European Council and of the European Commission are in terms of fiscal policies and investment priorities.

*The TU Inv-Index 2019 is based on 30 answers from 25 countries. ETUC members answer to an online questionnaire in 20 languages with closed answers. The UK is not participating, Greece is at its first year. Infographics explains what determines the colour of the country and provide information on: format of the meeting, timing of the consultation, level of dialogue, access to documents, visibility of the trade union inputs, and effectiveness of the consultation.*




In 2019, for the first time, the ETUC member submitted proposals for country specific recommendations in April. Thanks to a coordinated action within the ETUC, proposals were submitted, at the time, to the EU institutions and to national governments. At the beginning of May, ETUC members submitted a request to be consulted on draft CSRs to their national governments. 10 trade unions reported that they were consulted on draft CSRS.

Trade union involvement should be updated according to the developments of the Semester cycle. In general, the coordination within the Semester and through the EMCO activities is not producing evident results. It shows that a legislative framework can actually improve the level of involvement at national level.

Social dialogue is a key factor for the successful design and implementation of policies. CSRs more systematically encourage member state either to involve the social partners when implementing specific reforms, or to support social dialogue in general. The implementation of CSRs in favour of social dialogue are often opposed by groups of interests. Trade unions report of interferences especially of multinational companies in the creation of stable legal and operational structures in support of social dialogue and collective bargaining. This requires a stronger legislative framework to support the Semester policies toward an upward convergence of working conditions in Europe.

The involvement of social partners improves ownership of policies and leads to better and more sustainable policy outcomes. The Treaties explicitly recognise the role of social partners in policy- and law-making, while respecting their autonomy and the diversity of national industrial relations.

The European Pillar of Social Rights stresses the need for social partners to be consulted, for them to be able to negotiate and conclude collective agreements and emphasises their autonomy and the right to collective action. The Employment Guidelines explicitly refer to the involvement of social partners in reforms and to support for their capacity-building.

The Commission systematically involves social partners in the European Semester process, at both EU and national level, while inviting Member States to be more receptive to national social partners' contributions. The Commission consults national social partners at major Semester milestones in each Member State. These consultations are often part of European Semester missions, undertaken by Commission staff, including senior representatives.

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# ETUCE

European Trade Union Committee for Education
**EI European Region**

ETUCE education priorities for the Annual Growth Survey (AGS) 2020

*September 2019*

The latest cycles of the European Semester[1], have placed a significant emphasis on the education sector. The European Trade Union Committee for Education (ETUCE), the voice of 132 member organisations representing 11 million education workers, recommends that the following challenges and policy priorities be addressed in the 2020 Annual Growth Survey:

Free, universal, quality, public education is central to the full realization of the UN 2030 Agenda for Sustainable Development, the European Pillar of Social Rights, and the UN Universal Declaration of Human Rights. It also helps to foster shared economic prosperity and to counter widespread social distress and dissatisfaction towards democratic structures in the EU. A decade-long focus on tight public finances and on faith in the market to serve society efficiently and effectively is eroding the capacity of public education, to enhance fairness in the development of economies.

Recent data from the OECD (2019) and Eurostat (2019) confirm that the lasting impact of investment cutbacks in education have been severe and that increases have not yet caught up with Europe's limited economic growth. Between 2010 and 2016, across OECD countries, public investment on educational institutions as a share of the Gross Domestic Product (GDP) decreased an average of 8% for non-tertiary levels and by 4% at tertiary level[2], despite the commitments made by the Heads of state or government in 2017, at the margins of the Social Summit for Fair Jobs and Growth held in Gothenburg launching the European Education Area, to raise education investment levels. Similarly, Eurostat[3] reports education expenditures as a percentage of the GDP falling from 5.2% in 2009 to 4.6% in 2017 in the EU and from 5% to 4.5% in the Euro area. Record low levels of investments are reported in Romania (2.8%), Ireland (3.3%), Bulgaria (3.6%), Slovakia, Italy (3.8%), and Greece (3.9%).

The Stability and Growth Pact (SGP) focus on deficits has undermined future-oriented investment in public education and research, with the risk of damaging current and future generations as well as Europe's overall growth potential. The dangers of underinvestment in public education and basic research are clear: fewer skilled and less productive workers, lower productivity, and more limited personal and social development. This means lower overall living standards, a sharp rise in inequalities, an increase of social exclusion and an expansion of poverty and at-risk-of-poverty rates.

According to the OECD[4], many educational systems are increasingly relying on the private sources of funding to compensate for setbacks in public investment. Between 2010 and 2016, across OECD countries, the share of private spending increased by 3 percentage points, while the share of public spending fell by about the same amount, with Estonia, Portugal, Spain and the UK increasing private support by more than 5% in that period of reference. Students and their families are the main source of private funding, raising major concerns

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1 Stevenson, H. (2018), The European Semester: an analysis of the 2017-2018 cycle, European Public Service Unions, University of Nottingham, European Social Observatory and ETUCE.
2 OECD (2019), Education at a Glance 2019: OECD Indicators, OECD Publishing, Paris, https://doi.org/10.1787/f8d7880d-en
3 Eurostat (2019), European Pillar of Social Rights indicators, General government expenditure by function, [TEPSR_SP110]
4 OECD (2019), *Op. Cit.*

about equity in access to education. However, private involvement in the provision of education in the forms of private operation of public schools, education vouchers or scholarships and/or delivery of education by private providers indicate an increased reliance on the market rather than on public institutions subject to democratic control, to deliver public goods for society.

Policy shifts towards liberalisation and deregulation, the dominance of economic prerogatives over educational objectives, and promotion of reforms focusing on the marketable aspects of education and imposing commercial market standards and practices on public education institutions are endangering the ability of European countries to cope with domestic, regional, and global challenges. Shared economic prosperity, innovation and productivity, high living standards and quality employment need skills to adapt to future innovation-intensive jobs, including creativity, acceptance of diversity, ability to work with others and many other competencies. Public education is a counter-cyclical force to division in society in its ability to foster mutual understanding and social integration.

The creation and transmission of knowledge through research and innovation is an important engine to advance productivity and future growth. Almost all innovation rests on publicly funded basic research, then transmitted to industry to develop economically and commercially viable products. Underinvestment from the public sector, reform pressures to better align university outcomes and governance to the needs and wishes of business, as well as financial incentives to steer research, and therefore funding, to business priorities can undermine academic freedom, as well as the ability of universities as collegial bodies to foster basic research, including in such areas as the environment and social sciences, with the potential to curb long-term benefits for society and the economy.

The lack of equity in education, in the long term, perpetuates exclusion, segregation and marginalisation. Discriminatory factors have not been addressed adequately as shown by the OECD-PISA/Social Scoreboard indicators[5]. Socio-economic status remains associated with significant differences in performance in mathematics, reading, and science. On average across OECD countries, 12.9% of the variation in student performance is associated with socio-economic status, with recorded above-average variation levels in France, Hungary and Luxembourg (20%). Migrant and refugee students are more than twice as likely as non- migrant students of similar socio-economic background to underperform.
With existing and expected teacher shortages in more than two-thirds of EU countries[6], the sustainability of education systems is in danger. Unattractive compensation and working conditions, limited career prospects, high-stake accountability, limited professional autonomy, and inadequate or insufficient initial education and continuous professional development programmes are among the main causes for the lack of attractiveness of the profession. Rural-urban and geographical divides within and between countries contribute to the teacher recruitment and retention crisis, especially in disadvantaged areas.

<u>Policy priorities:</u>

- Reverse the decade-long trend of decreasing investment by increasing public investment in education and training to address inequalities in access to and provision of quality education and training;
- Revise the Stability and Growth Pact rules to allow for an EU fiscal framework that excludes from the calculation of the deficit and debt levels future-oriented

education, training and basic research investment;

- Expand the revenue base to allow public investments, including through more effective tax collection, the control of tax fraud, corporate tax evasion and avoidance, as well as by imposing and enforcing rules to reduce fiscal dumping and financial speculation across and beyond Europe;
- Safeguard the public provision and governance of education systems from the influence of private sector investment and actors;
- Boost public investment in basic research and protect democratic collegial governance of universities and higher education institutions from the influence of private parties;
- Orient EU education and training funds towards reducing inequalities in educational access and opportunities according to the principles of solidarity between countries;
- Focus on equitable and quality, all-inclusive education and training systems through targeted measures focusing on the most disadvantaged, including migrant and refugee children;
- Develop comprehensive, holistic education investment and reform from early childhood education to university;
- Educate for sustainable development: develop a future-oriented, sustainable approach to skills, knowledge and competencies to foster understanding, stimulate critical thinking and social integration, and create a stable and secure environment in which the fruits of economic growth are more equally shared;
- Provide teachers with resources, tools, and professional space to make the profession more rewarding and attract talented people to it;
- Ensure real participation and consultation of education personnel and their organisations in the development, implementation, monitoring and evaluation of education policy.

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[5] OECD (2016), PISA 2015 Results (Volume I): Excellence and Equity in Education, PISA, OECD Publishing, Paris. http://dx.doi.org/10.1787/9789264266490-en

[6] European Commission (2018), *Teaching Career in Europe,* Eurydice report