

ETUC resolution on a new EU Economic and Social Governance

Adopted at the virtual Executive Committee Meeting of 3-4 June 2021

FOREWORD

This Resolution updates the ETUC Position: An EU Economic and Social Governance for a prompt, strong and sustained recovery, adopted in June 2020 in response to the pre-CoViD19-crisis public consultation on the revision of the economic governance. The economic and social landscape significantly changed since then. There are now new instruments for economic governance, some are temporary but will have effects for years to come, other are intended to be permanent.

The Portuguese Presidency has announced that there will be a new consultation process to gather views on the new economic governance of the EU. Therefore, this resolution outlines the key political objectives of the ETUC concerning the architecture, fiscal, social and environmental requirements that should make the social and economic governance of the EU better aligned to the expectations of European workers.

RESOLUTION

The pandemic has changed the global fiscal, macro-economic and social landscape. The EU took measures to mitigate the social impact of the economic contraction, however it is left with high debt, a worrying employment situation and higher vulnerability of large groups of the population. At the same time, the green and digital transformations require huge investments. Demographic trends and uncertainty in the global economic outlook are also part of a new landscape that confirms the obsolescence of the economic governance of the EU.

The ETUC consistently rejected the Fiscal Compact and considers that the Stability and Growth Pact (SGP) has to be revised to avoid any risk of revamped of austerity policies reappearing A new Pact must reconcile the social, economic and environmental aspects of development, building on and creating conditions for the full achievement of the UN2030 Agenda.

We learned that the deepening of the EU integration needs a stronger social connotation. In this regard, and in the aftermath of the Porto Summit on 7th May 2021, **the trade union movement is convinced that the new governance has to promote recovery, fairness, sustainability and resilience.** It has to strive for a job-rich recovery and aim for full employment, with stable quality jobs (especially for young people) and pursuing upward convergence of living and working conditions of Europeans, backed by stronger minimum standards. It has to be sustainable, removing inequalities and eradicating poverty, in an ecologically friendly way. It has to improve social resilience of our socio-economic models, by fully encompassing the European Pillar of Social Rights (EPSR) Action Plan and building on sustainable growth and decent work.

ARCHITECTURE OF THE ECONOMIC AND SOCIAL GOVERNANCE OF THE EU

A social dimension of the economic governance needs a change in the fundamental rules of the economic governance. Art.148 of TFEU is a weak



counterbalance to the strength that the Treaty injects in the fiscal, market and macroeconomic components of the economic governance. To remedy this and have a greater impact, **the EPSR and its Action Plan, endorsed on the 7th of May in Porto, should exert a stronger role and be integrated in the architecture of the economic governance of the EU.**

It is time to contemplate non-GDP and Green Deal related indicators in addition to sustainable fiscal targets, especially with regard to the current trend in the economic environment, characterised by low inflation and interest rates. The GDP-related reference values for governments' debt and headline deficit as key determinants of economic policies do not reflect the ambitions of the EU in the economic, social and environmental field. The new architecture should rely far more on non-GDP measurement that monitor the performance of member states on the basis of sustainable well-being, as advanced by social partners in their proposal for "Supplementing GDP as welfare measure" proposed joint list by the European Social Partners, and on inclusive labour market and job security as proposed in the *Sustainable Growth and Decent Work index* of the ETUC.

The recovery strategy provides an opportunity to make the EU governance architecture fairer and more sustainable and to strengthen the EU integration in its economic, social and political components. The ongoing experience has shown that creating automatic mechanisms that shelter member states against unforeseen and significant external shocks, can bring benefits to all member states. Stabilisers of public expenditure for investments and social resilience, financed through social bonds, should find a place in the new paradigm of the EU economic governance. **EU taxation should be a tool to rebalance social, environmental and economic objectives of the economic governance, as proposed in the ETUC Resolution: EU taxation and own resources¹.**

Other instruments though, such as the Recovery and Resilience Facility (RRF), conceived to be a one-off experience, will continue producing its effects on the EU economic governance for years to come. Monitoring of National Recovery and Resilient Plans (NRRPs) will be more stringent according to the regulation on RRF, because the progressive attainment of milestones and targets will determine the disbursement of the RRF tranches. Thus, it is crucial to reinforce the level of involvement of Social Partners in the implementation of the RRF, to prevent problematic structural reform proposals (cutting public expenditure, liberalisation of the labour market, and sustainability of social protection systems), at EU and national level.

It is time to democratise the entire economic governance. It means that the European Parliament should co-decide macro-objectives and policies, supervise their implementation and make the European Commission accountable for results achieved. Social partners' involvement will reinforce the democratic value of the European semester and of the RRF implementation. **The new architecture should clarify the role of social partners in the processes related to the economic governance of the EU.** The EU Semester and the RRF provide reference to the social partners' involvement or partnerships without setting a real binding framework for social partners to be involved.

¹ <https://www.etuc.org/sites/default/files/document/file/2021-03/ETUC%20resolution%20on%20EU%20taxation%20and%20own%20resources.pdf>

SOVEREIGN DEBT AND FISCAL ASPECTS

The sovereign debt cumulated as response to the COVID-19 economic, health and social crisis has to be dealt with at European level, and a strong coordination (multilateralism) at global level of macroeconomic policies should be sought for. Since the recovery is uneven within the EU, the new EU governance should include a transition period during which no excessive deficit procedure should be activated and with the possibility to use the “unusual event clause” on a country specific basis.

European wide reference values for all member states should be abandoned in favour of tailored fiscal targets better reflecting social and environmental challenges of single member states. Disbursement of the RRF funds, or the flexible application of the fiscal governance framework, should incentivise reforms that pursue economic wellbeing, inclusive labour markets and job security. Therefore, the fiscal rules which should be implemented in a gradual manner once European economies reach their pre-crisis levels, should allow different fiscal targets with the view to reach debt sustainability, taking account of the actual growth, inflation and interest rate environment.

The issue of debt/GDP ratios could be seen as secondary, as it does not reflect public debt sustainability. Indeed, increased deficit and debt levels can go together with increased sustainability, if matched by fiscal policies enhancing growth expectations, consistent with the appropriate aggregate fiscal policy in the Euro area, and pro-active and accommodative monetary policy. Therefore, the issue of coordination should not only be addressed with regards to the various fiscal policies within Member States but also between the monetary policy implemented at EU level and the fiscal policies implemented in the various Member States as a matter of fiscal sustainability. This implies some kind of economic dialogue between the ECB and the other European institutions (EC, EP, Council) and a form of accountability of the ECB towards the EP, while guaranteeing the independence of the ECB.

A reinforced role for the EU institutions should go hand in hand with the reinforcement of the democratic tenure of the economic governance. In order to maintain the employment, social and climate objectives, a new governance should be based on partnership agreements that engage member states and the European Commission, adapted to the new social governance and with full involvement of social partners². This should involve selecting country-specific fiscal targets, which better reflect the socio-economic situation of the country and fiscal sustainability, together with the social and environmental targets of the EU, under guidance and surveillance of both European Parliament and Council of the EU on an equal footing.

In a new fiscal framework, which should be implemented gradually, once pre-crisis GDP levels would be reached, room for a golden rule for public investment should be promoted. Such a rule should **allow net public investment to be financed by debt.** Increased EU own resources should be considered³ if the new European debt is to be repaid, although the ETUC, in coherence with the European Central Bank and the European Fiscal Board⁴, would call for the maintenance of a fiscal capacity at the European level.

In addition, **a public expenditure rule could be considered, while allowing automatic stabilisers to operate, whereby investment costs would be distributed over the entire service-life, if debt sustainability is at risk.** However, uncertainty remains on its countercyclical effect and its impact on growth, if sustainable growth-enhancing

² Partnership agreements were appearing already in the 2-pack, and namely Art. 9, Regulation 473/2013.

³ [https://www.etuc.org/sites/default/files/document/file/2021-](https://www.etuc.org/sites/default/files/document/file/2021-03/ETUC%20resolution%20on%20EU%20taxation%20and%20own%20resources.pdf)

[03/ETUC%20resolution%20on%20EU%20taxation%20and%20own%20resources.pdf](https://www.etuc.org/sites/default/files/document/file/2021-03/ETUC%20resolution%20on%20EU%20taxation%20and%20own%20resources.pdf)

⁴ https://ec.europa.eu/info/sites/default/files/2019-09-10-assessment-of-eu-fiscal-rules_en.pdf

public, especially net, investments, as well as investments that are aligned with the EU's long-term objectives of the Next Generation EU (NGEU) and precautionary public, are not exempt from the expenditure rule. Moreover, public expenditure could be calculated on the estimated impact of any new discretionary revenue measures (changes in tax rates and tax bases) to preclude the manipulation of tax rules that are not compensated on the expenditure side. The expenditure rule must not impede necessary investments and current expenditure that is deemed to be necessary for the climate transition and digitalisation challenges.

Furthermore, and more specifically in the Euro zone, the correction of macroeconomic imbalances, especially relating to the current account balance, should be subject to symmetric approaches according to which **excessive and prolonged deficits will be treated as well as prolonged and excessive surpluses**. To that end, fiscal policies should take into greater consideration their effect on European economic and fiscal objectives. Last but not least, there should be one single macro-economic and social imbalance procedure, both objectives having the same weight in the assessment on the soundness and fairness of the socio-economic policy of a Member State. The identification of imbalances should lead to Country-Specific Recommendations (see par. 7) aimed at correcting such imbalances within a given period of time. This can also be done through monitoring and implementing social objectives and targets of the RRF, as specified in the National Plans.

THE SOCIAL GOVERNANCE OF THE EU

The ETUC is convinced that a strong recovery can only rely on a fairer, sustainable and resilient social model. The European Pillar of Social Rights (EPSR) should become a binding component of the economic governance, also by setting stronger minimum standards that could be conducive to the upward convergence of working and living conditions in Europe. **The social indicators on employment, education and poverty in the EPSR Action Plan, together with the reinforced social scoreboard, should have a greater impact on the economic governance.**

The new economic and social governance of the EU should be based on full employment with high quality jobs and just transition. It should enhance a more inclusive society, fairer income and wealth distribution, and increased public spending and investments, especially delivering quality public care services, education and training, effective social security for all. Furthermore, it should provide adequate minimum protection, especially for vulnerable groups, which should be reflected in the revised social scoreboard.

It means that the current set of indicators proposed by the EU do not fully reflect societal risks and social divide that prevails across the European society, nor do they help in reaching the EU Targets. The Sustainable Growth and Decent Work index of the ETUC provides for a more comprehensive metric that measures impact of the economic governance on economic well-being, inclusive labour market and vulnerability of workers throughout their working lives and beyond, having care to promote workforce qualification, eliminate gender gaps, promote upward convergence of wages, promote youth employment, enhance inclusive and effective social protection systems, with adequate safety-nets preventing poverty. The ETUC will work towards EU targets that align to its metric in a way that targets and indicators better reflect the social and environmental challenges that the EU has to go through in the coming years.

National short-time work/furlough schemes should continue, and be supported with adequate resources, until full recovery is reached. It is important that they combine with activation measures for the participants to these programs. The

Recommendation on Effective Active Support to Employment (EASE) should be implemented with a fast-track in the EU Semester in close cooperation with social partners. Moreover, European Institutions should better link available EU tools in order to help Member States create jobs and Public Employment Services to guarantee access to jobs.

European automatic stabilisers could be complementary to discretionary national measures to foster social resilience; and the EU social and economic governance has to reflect this assumption. Supranational automatic stabilisers or instruments such as a European Unemployment Reinsurance Scheme and facilities that stabilise expenditure for social protection and health should be introduced, building on the positive experience of SURE, to support countries experiencing asymmetric shocks. This would avoid dramatic employment and social consequences and hence, its feasibility should be explored. However, it must be clear that SURE does not substitute the need for a discussion on a more permanent unemployment stabilisation scheme.

The Youth Guarantee is a tool with great potential to promote youth employment also against the social consequences of the Covid-19 crisis. But it can only be successful if the evaluation of the current programme is taken into account and if the sectorial, national, and Europeans social partners are involved in its design, implementation and reporting of its future version it.

It is crucial that the economic governance supports universal coverage, effective, adequate social protection systems. While the sustainability of effective social protection can be enhanced by reforms (more and better jobs across all ages, fairer taxation, redistribution of enhanced productivity gains, fight to informal economy, better integration of people with migrant background), governments' net expenditure should evolve in line with the needs of an ageing society based on solidarity among generations. Governments' net expenditure should reflect qualifying criteria according to the principle of "ageing in dignity", encompassing not only poverty prevention and pension adequacy, but also needs-based investments in accessible, quality health and long-term care. Indicators monitoring the implementation of the Recommendation on access to social protection, as suggested by the ETUC SociAll study, "Revisiting EU social indicators: a needs-driven approach from a workers' perspective"⁵, can constitute a good framework to proceed towards a fiscal approach that balances adequacy, accessibility and sustainability of social protection systems.

The ETUC welcomes that the EPSR sets a new target whereby at least 60% of all adults should participate in training every year by 2030. However, trainings must lead to quality jobs and just transition of the workforce. It means that the new governance should establish (among the non-GDP-related indicators), measures that ensure that every EU country introduces policies to ensure: i) the right and access to adult learning for all, including the unemployed; ii) the right and access to employee training with sustainable investment by the employers; and iii) the right and access to different types of paid education leaves. It is important to differentiate between "access to rights/entitlements" and "access to individual learning accounts". In order to reach this target, more frequent monitoring of data on "percentage of enterprises providing training", and "enterprises' expenditure on training courses as a percentage of the total labour cost" should be ensured⁶. The right to paid educational leave should be portable within and across member states.

⁵ *Revisiting EU social indicators: a needs-driven approach from a workers' perspective* (read the study [here](#))

⁶ <https://www.eesc.europa.eu/en/our-work/opinions-information-reports/opinions/updated-skills-agenda>

SOCIAL PARTNERS INVOLVEMENT

The ETUC calls for a stronger involvement of trade unions in the making and implementing of policies that steer the EU economy on track in respect of social sustainability and resilience. In view of the interconnection between different policy frameworks and national plans, the economic governance should establish an overarching principle of partnership with social partners in all areas and processes in which the economic governance of the EU operates; such as the EU Semester, the RRF implementation, the structural funds, the Green Deal, the 14 ecosystems of the EU Industrial Strategy, and the related transformation pathways.

An overarching “partnership principle” should articulate rules for social partners’ involvement at European and national level in all processes belonging to the Economic governance of the EU. At national level, social dialogue should be promoted to ensure social progressive policy frameworks and greater consistency between national plans (National Reform Programmes, national recovery and Resilience Plans, Just Transition Plans, National Energy and Climate plans, operation programmes for structural funds, etc.).

In particular, **European social partners should be ensured greater support and involvement have for their engagement and representativeness** in a more effective deployment of processes and policy implementation concerning the economic governance of the EU. In this regard the ETUC and its affiliated organisations have gathered experience and capacity to operate in the framework of the economic governance of the EU and this should be reflected into a more structured framework of cooperation between policy- and decision- makers and ETUC, at European level, and ETUC members, at national level.

INDUSTRIAL AND ENVIRONMENTAL ASPECTS

The new governance must support the strengthening of the European industrial base and improve the resilience of the related supply chains. It should also be in line with the concept of “open strategic autonomy” that underpins the update of the EU industrial strategy as well as the review of the EU Trade policy.

The crisis has underlined the importance of the real economy and of a strong industry, especially with regard to an overinflated financial system. A strong industrial base will be of key importance for Europe’s economic recovery. The economic governance must support the objectives of the **New EU Industrial Strategy** and its 2021 update. It should mirror the key performance indicators as proposed in the Update of the EU New Industrial Strategy. It should mirror the **Key Performance Indicators** as proposed in the Update of the EU New Industrial Strategy, and complement them with additional ones reflecting other important dimensions (such as the age, the gender or the skills profile of the workforce among the various ecosystems).

Regarding the **environmental dimension, ETUC calls for the effective implementation of the European Green Deal at national level in a way that leaves nobody behind.** Indeed, now that the European Union has set clear and ambitious climate targets for 2030 and 2050, the Commission should regularly monitor and assess the progress made by its Member States towards these objectives and, in case some gaps are identified, formulate concrete policy recommendations to ensure a just transition. Effective social dialogue and collective bargaining where workers are fully involved will be particularly key to develop just transition territorial plans. In its evaluations of these plans, the European Commission should therefore regularly assess

the quality of such social dialogue and strengthen the role of social partners in countries where there are problems.

ANNEX: Internal implications of the revision of the economic governance of the EU. Role of TUSLOs.

The revision of the economic governance architecture and functioning implies the definition of criteria and technicalities that will shape its operational framework. It will combine the need for a rule-based governance with the flexibility needed to meet different situations in member states.

Such technicalities may have strong political implications. The challenge is to ensure balanced decisions that, while being technically complex, are relevant to attain the social objectives set in the EPSR and its Action plan. These technical aspects need to be further developed so as to define ETUC positions based on awareness of their implications and with a renewed capacity to harness interrelations amid all policy areas.

For that reason, the Resolution for a new Economic and Social Governance of the EU sets the overarching ETUC objectives and scope of action while additional upcoming documents (resolutions, discussion papers or technical analysis) will be submitted to the executive committee when relevant. The ETUC proposes that the 3 following papers may be prepared for the September executive Committee:

- Tackling public and private debt in a post pandemic economy
- Addressing inequalities and fighting social injustice with sustainable growth and decent work
- Social protection: moving from a cost-of-ageing approach to a dignity of ageing criteria.

The ETUC Secretariat will put forward the aforementioned proposals for the development after having heard from TUSLO and the concerned permanent committees.

TUSLO will continue to be the group that coordinates the trade union action in the economic and social governance of the EU with specific reference to the European Semester and the RRF implementation. It will continue to lead on matters concerning recovery, implementation of the EPSR and the SDGs in Europe.

TUSLO's network will be reinforced and made more strategic. Its action has been reorganised to better focus on a job-rich recovery, fairness, sustainability and social resilience. These 4 areas will be reinforced pursuing strategy that will ensure greater influence of the trade union movement in the EU economic governance.

It implies that TUSLO will need new instruments of work to fulfil new responsibilities. A new project is going to be submitted to the European Commission to finance TUSLO's activities for the next 2 years.

Nonetheless, we have to ensure that all ETUC affiliates have the same chances and capacity to participate in the process. In that regard, the EU fund for increasing capacity of national trade unions and retaining membership is open to submit requests to ensure funding that cover activities of national trade union officials working on European governance issues.

In particular, the ETUC Semester Team will coordinate requests from each member organisation, ensuring these include working days for core activities related to the governance process and, more in detail, a total amount of 110 working days per TUSLO so as to cover tasks related to :

- a. Coordination with the ETUC and national union departments in charge of policy dossiers, including internal communication and training of staff (20 days).



- b. Coordinating, collecting and drafting trade union inputs for the European institutions, including inputs for annual sustainable growth strategy (20 days), country reports (50 days) and country specific recommendations (20 days).

ANNEX 2: KEY DEMANDS

Key demands in the architecture of the economic governance

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

Key demands fiscal and economic field

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

Key demands in the social field

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