

ETUC for Sustainable Growth and Social Progress

ETUC Resolution adopted at the Executive Committee Meeting of 27-28 October 2022

Summary of the Resolution

The European Semester has to coordinate a European effort to: protect workers and their families against the soaring cost of living; promote collective bargaining; and ensure appropriate resources for social protection systems. The RRF should deliver resources for investments. A refinanced SURE should guarantee resources for fairer labour transitions and shelter households against poverty, in this difficult time of skyrocketing energy prices and a looming economic recession. It will also continue supporting short-time work schemes and similar measures, to help Member States protect jobs and thus employees and self-employed against the risk of unemployment and loss of income. Macroeconomic and fiscal policies should go hand-in-hand to allow the much needed investments for the socio-ecological transformation of our economies, while ensuring fiscal sustainability and counter speculative attacks of financial players on sovereigns. The social dimension of the Semester should be reinforced by implementing the three EU Headline Targets for employment, skills and poverty reduction.

One of the priorities of the European Semester should be the coordination of EU and national policies to protect those who are affected by the economic consequences of war and of the COVID-19 pandemic. European workers are suffering because wages are not keeping up with inflation and because the steep and rapid increase in energy and food prices forcing many households to fall below the poverty line. Therefore, the European Semester shall lead to engaging the EU, and its Member States, to establish a set of measures that include:

- Promoting collective bargaining to increase wages and adapt production patterns to the new economic context. Minimum and low wages should also reflect the soaring cost of living. The Semester should ensure that social partners are properly engaged in setting the statutory minimum wage, where it exists.
- Giving leeway to government expenditures for social protection measures that protect workers and their families against the risk of poverty. Imposing price control on energy, basic food products and fundamental services to avoid that market inefficiencies in price setting erode the wellbeing of people.
- Supporting businesses conditional to employment preservation, job creation and increase of net investments¹, especially in SMEs. Emergency programmes, such as the Temporary Crisis Framework, REPowerEU and the Winter Preparedness Action Plan, should be socially sustainable, which is not yet the case.

The Open Strategic Autonomy framework (OSA) calls for more investment in security. In the ETUC's view, the concept of security has to be defined in a way that covers all dimensions of security:

- Maintaining peace and protection against external factors, not only as a matter related to defence strategy but also to reinforcing economic, energy and food autonomy (Strategic Autonomy).

¹ No dividends distributions, no shares buybacks, no presence in tax heavens should be part of the conditions too.

- Reinforcing social protection and healthcare systems and enhancing structural long-term care provisions accessible to all, which are adequate for the needs of people. Especially in the event of a pandemic or other health crises, as well as to respond to the requests of the demographic trends.
- Social and territorial cohesion with the view of reinforcing democratic institutions at national and European level, supporting inclusive and sustainable growth, and boosting upward convergence of living and working conditions.

The economic outlook is grim and more pressure will be exercised on public budgets, due to factors that are not in the control of member states. The European Semester should give fiscal space to finance urgent measures for workers, companies and households. The Headline Targets adopted in Porto for employment, fight against poverty and access to the labour market, should be used to measure progress.

The ETUC envisages that the Draft Budgetary Plans, which will be submitted in October, will demonstrate the pressure governments are under. The European Semester should ensure that resources are available to finance a fairer transition equitably so that all workers will have the same chances to be protected against the social and economic difficulties that they are facing. European instruments, such as the SURE, proved to be effective in absorbing economic shocks by giving relief to member states' budget.

The aggregate debt of the EU Member States is also likely to increase. It is important that interest rates are kept reasonably low and that the ECB continues to implement monetary policies that protect sovereign debt against any form of speculation. It would be unacceptable that, in time of extreme difficulty for European people, the monetary policy, within and outside the Euro Area, would be a vehicle for old austerity measures or would not prevent Member States' exposure to financial speculation.

In the upcoming Semester cycle it is important to ensure a closer dialogue between the EU Commission and Governments, with a more structured involvement of social partners, in order to identify a country-by-country path for medium term sustainability of public finances that fully respect the targets/objectives on investments, employment and social protection. The European Semester should seek financial stability having regard of the aggregate EU situation (and in particular of the Euro Area).

The European Semester has to warrant that public investments continue to be deployed under the RRF, implementing national recovery and resilience plans. The level of gross public investments should remain at least above the 3% of GDP, pursuing a convergence in the investment capacity of member states (investments financed by EU resources should not replace those already funded by national budgets). While the RRF resources are disbursed based on the achievement of milestones and targets, the impact of new EU programmes (REPowerEU, Temporary Crisis Framework, Winter Preparedness Action Plan), is speeding up transitions and transferring huge amount of resources to businesses, without having full control on the consequences on employment and income distribution.

It is urgent that Member States are supported in establishing social frameworks that ensure full employment and protection of workers, and their families, against poverty in a situation of quick labour transitions. Specific active labour market policies will need to be deployed with the full involvement of social partners, to support sectorial transitions as a result of structural changes due to the energy crisis and the inflation. Tailored labour market policies are needed for the more vulnerable groups in the European labour market. Well-equipped public employment services (PES) are needed to implement active labour market policies and to perform the outreach strategies identified in the EASE Recommendation. PES plays a key role in the integration of the most vulnerable groups of society in the labour market, (inter alia) refugees, women, migrant and

seasonal workers, disabled workers and NEETs. The ETUC has advanced a proposal for refinancing the SURE instrument, using resources made available through the NGEU, such as the surplus generated by activating the non-needed RRF resources for loans. It also recommends extending the scope of the SURE to measures that protect employment, support workers in transitions and protect against energy poverty. National Climate and Energy Plans already identify risks and challenges of energy poverty and have to be used to point out the most urgent and effective measures to prevent households from energy poverty.

The Semester should involve social partners when monitoring and assessing the implementation of the RRF, specifically when responding to economic emergency with programmes such as REPowerEU, Temporary Crisis Framework, Winter Preparedness Package. Their involvement would ensure that the fiscal efforts deployed, to trigger investments and provide subsidies to companies, are evaluated against clear social objectives. Such social objectives are:

- Porto Headline Targets on employment, education/training and the fight against poverty, with specific national objectives and policy response identified in the Country Reports, and eventually reinforced by dedicated CSRs. It includes a more structured involvement of social partners in the definition of national targets as result of policy frameworks and reforms that are agreed with social partners (a first set of trade union inputs are available [here](#)).
- Identification and removal of social gaps and imbalances identified under the social scoreboards and qualitative/quantitative country-based analysis, through a closer cooperation with social partners. Creating a practice that is conducive to a Social Imbalances Procedure.
- Action Plan Implementing the European Pillar of Social Rights and in particular recommendations and instruments that provide a more precise framework to EU coordinated policies such as EASE, access to social protection, and fair transition toward climate neutrality and the Skills Pact.
- Consolidation of an SDG8 centred approach to development with the objective of maximising the employment impact of EU-driven policies, and promoting decent work while preserving the environment, adapting to climate change, promoting the rule of law and fighting inequalities.

Such an approach should lead to a greater social sustainability of Member States and of the EU in its entirety. The Semester process should monitor the overall wellbeing of Europeans, ensuring a fairer distribution of income and wealth, and measuring access to services of general interest, and their quality. In particular, a more thorough analysis is needed on the employment situation at sectoral and regional level, in order to better identify and address the social risks. Such analysis should also help identifying and addressing specific risks among young workers and 55+ workers.

Although the gender employment gap continues to narrow (albeit at a slow pace), it remains wide (11% in EU in 2021), or too wide in certain countries (more than 15%). A gender mainstreaming strategy should also help identify specific measures to promote female employment, accompanied by care services. In many countries, the Headline Target on employment will be achieved only through effective measures that increase and stabilise women's position in the labour market. The implementation of the Work-Life balance Directive should also be a contributor to a larger and non-discriminatory participation of all women in the labour market and in career progression. Member States should commit to enforce legislation on occupational safety and health, to live up to the ambition of the EU Strategic Framework on Occupational Safety and Health of achieving zero deaths at work. The participation of social partners, and more concretely health and

safety representatives, will be key to guarantee that the principle of prevention of risks is observed across EU workplaces.

Last but not least, the European Semester has to ensure that each Member State will establish and tailor actions to eliminate workers' vulnerabilities, and to avoid people falling into poverty or social exclusion. According to Eurostat, in 2021, 73.7 million people in the EU were at risk of poverty and 29.3 million lived in a household with low work intensity; the most vulnerable and more likely to be at risk of poverty or social exclusion are women, young adults, elderly people, people with a low level of education and unemployed persons, but also NEETs, migrants and people belonging to ethnic minorities, single-person households as well as households with dependent children. Policies to reduce such figures are urgently required already in the next cycle. A specific focus must be made on severe material and social deprivation, affecting 27.0 million, identifying the most vulnerable groups and addressing its causes. While insurance-based systems must be reformed to ensure adequate social protection to both standard and non-standard workers (namely dependent self-employed), assistance and solidarity-based safety nets, such as minimum income schemes, must guarantee everyone in need of any age adequate and effective income support, as well as satisfaction of care and other essential needs. In-work poverty must be addressed via better employment and remuneration policies. Specific income support measures must be established to avoid low income and poor work intensity households to fall into poverty, but social partners must contribute to the development of pathways to guarantee that work ensures adequate living standards and social mobility. Energy poverty represents an increasing concern given the energy prices, to be addressed via specific monitoring and structural measures. These include the pursue of decent housing for all, as a fundamental driver to combat poverty across the whole EU, in rural areas just as in urban ones; housing conditions must be carefully monitored in each member state and addressed with tailor-made, EU funded measures.

The Semester should better address territorial disparities. EU areas under development should be better equipped with efficient material and immaterial infrastructures as well as high quality public services, and in particular health, care, energy supply . The urban-rural divide must be erased by providing access to high quality education and other essential services such as transports that enhance a gender oriented development and greater societal return. Energy efficiency must be pursued in developing regions, also in order to guarantee decent housing conditions. Moreover, specific measures have to be set to avoid that the divide is exacerbated by the increase of prices (e.g. fuel, public transports), with negative effects on mobility and eventually on living conditions - with specific reference to energy necessary for household heating. NRRPs and public policies should be screened to evaluate their capacity to give factual response to this issue.

The European Semester 2022 should has to shed light on the damage caused to the overall economy, and in particular on the quality of work, by corruption and when the rule-of-law is not upheld. The Semester process should promote a common effort to fight the undeclared economy, trafficking and exploitation of work and corruption. Also, money laundering and organised crime are a cancer to society and the economy, resulting in: jobs destroyed, accidents and causalities at work, and social protection networks undermined. Additionally, efforts to combat the fight against tax evasion and tax avoidance should be strengthen, together with the implementation of a minimum effective corporate tax rate. The ASGS should identify cross-border challenges, which are translated into country-by-country policy drivers, including cross-border cooperation to fight criminality, and create safe jobs and healthy workplaces, and a fairer distribution of income and wealth

The ETUC report on the status of implementation of the NRRPs shows that there is a mismatch between the measures adopted in the national plans and trade union expectations. Such a mismatch is mostly due to widespread difficulties in identifying social priorities and milestones in the NRRPs. This is a consequence of the lack, or inappropriate, involvement of social partners in the implementation of the RRF. The 2023 Semester should identify drivers of equality, starting from the empowerment of trade unions and reinforcement of collective bargaining. The adaptation of the NRRPs to a quick changing economic context, and to new EU programmes, is an opportunity to change and better identify social objectives and criteria in NRRPs.

The effectiveness of social partners' involvement has to be ensured. A common EU framework for the involvement of social partners can be drawn up. There is no need for harmonised processes. However, national practices respect quality criteria of engagement so that social partners involvement is timely, meaningful and directed to decision-makers. When social partners are not involved, or when the involvement does not fulfil the European quality criteria of appropriateness, meaningfulness and timeliness - the plans (NRRP or NRP) should remain frozen. Social partners should be equipped with adequate capacities.

THE SUSTAINABILITY FRAMEWORK

Short term policy responses have to fit within foreseen policy frameworks that lead the EU into a sustainable future. In response to the economic consequences of the invasion of Ukraine, several billion of euros are spent in support of enterprises within the Temporary Crisis Framework, and the Winter Preparedness Package, while Member States are adapting their NRRPs to the REPowerEU program. They are not sustainability-proofed.

These are resources coming from different chapters of the EU budget and from national budgets that should be better formulated in a single strategic development framework in which all dimensions of sustainability are taken into account. Adopting a Goal8-centred approach implies that the European Semester has to coordinate such measures and frame them into a wider strategic development model of the EU, which includes:

- b. Sustainability, fiscal and social justice, with the Green Deal at its core;
- c. Resilient economies and societies, with the EU Health & Care agenda at its core;
- d. Social Agenda, with the Action Plan implementing the EPSR at the forefront;
- e. Open strategic autonomy that will boost the digital agenda and the industrial policy, which will provide a new impetus to the EU Integration process.

The UN 2030 Agenda and its Sustainable Development Goals (SDGs) are still a suitable compass to filter decisions that do not fulfil all sustainability requirements, and will discharge the policy options causing damage to some aspects of the sustainability agenda, including the social ones. However, it requires a stronger coordination effort and a closer dialogue with social partners.

At a time when the EU is finally moving to make its production and economic model more resilient, greener and conducive to the new concept of open strategic autonomy, industrial and employment policies should be deeply integrated. Specific measures adopted so far, able to mobilise several billion Euros in favour of businesses - such as relaxing the State-Aid framework or the simplification of permitting process to speed up investments - are not sustainability proofed. The European Semester should give evidence of the impact of such measures on employment, decent work, inequalities, gender discriminations and access to labour market of young workers.