Macroeconomic challenges. ETUC priorities and strategy for 2024

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(ETUC STRATEGY FOR SOCIAL AND ENVIRONMENTAL SUSTAINABILITY IN EU ECONOMICs)

The European economy is re-entering a moment of uncertainty and is undoubtedly at risk of recession, with a poor 0,6% growth for 2023. Fiscal policy is on its way to becoming more restrictive, while monetary policy negatively impacts economic activity and workers' purchasing power, especially in the poorest households. This is deemed a gross mistake since while phasing out the extraordinary sanitary measures, the EU is adapting to the polycrisis. This requires an unprecedented effort for transformative public funding investment and social cohesion.

The EU lost momentum because of a lack of solid economic drivers: wages strengthen domestic demand, but nominal wage growth lags behind inflation, damaging domestic consumption, while exports declined. Moreover, while nominal and real profits increased in 2023, total investment growth in the EU is expected to slow to 1.2% in 2023 and increase to 1.5% in 2024 and 2.3% in 2025.

Indeed, private investment is not growing, standing at one percentage point below the pre-COVID period, while dividend payments will continue to skyrocket in 2023. We are, therefore, not witnessing the investment "offensive" that RRF induced to predict, mainly because of a disengagement of the private sector. As the private sector does not invest, higher taxes on corporate profits should be considered in Member States to ensure public authorities can compensate for the private sector's failure. Moreover, countries are meeting several obstacles in spending the RRF funds, including a lack of social dialogue and understaffed public administration. Open strategic autonomy risks overshadowing the EU strategy built around the green, digital, job-rich transformation. The ETUC disagrees with prioritising military spending (which is already increasing) over social and green priorities.

In addition, a restrictive monetary stance is hurting the economy and, from the ETUC perspective, is ineffective in fighting supply-side-induced inflation. Political commitments for price regulation, energy overhaul, fair and progressive taxation, and industrial policy, not a contractionary monetary stance, are needed to tackle this issue. We should also be aware that the increases in interest rates are challenging investment prospects for businesses, restricting the spending capacity of municipalities and slowing down the required adaptation of our economies to the urgent socio-ecological transformation of our industries, threatening millions of jobs for the future. While the EU and the International Energy Agency call for extra investment, increases in interest rates and undermining private investments in decarbonated energy will undoubtedly compromise the search for additional investments necessary for the green transition.

Finally, increases in interest rates will undoubtedly impact business and government activity, especially following COVID loans to SMEs. According to Eurostat, in Q2 2023, Business bankruptcies were at their highest level since 2015. In addition, governments are starting to restrict public spending for welfare and social policies, leading to industrial action of public services unions as offers for wage increases do not match with inflation and national average productivity increases.

Positive employment aggregate performances should not be overestimated as some Member States are beginning to experience increases in unemployment, and should not hide the huge difficulties, especially for vulnerable groups (for instance, people with a migrant background, women with family care charges, young workers, 55+ and people with disabilities) or become vulnerable because of ineffective or inexistent access to training or the sudden downturn of their economic sector without foresight or strategic vision of the company. Such vulnerabilities are shown in the long-term unemployment figures, slow job-to-job transitions and persistent poverty, or people at risk of social exclusion.

In this context, it is crucial to have a mix of policies that lever fiscal, social, industrial and employment policies. We need fiscal policies that drive investments toward the green transition and create solid public infrastructures, with an EU budget that consolidates the EU economy with material and immaterial infrastructures and networks, including at cross-border or transnational levels. Such investments should go together with creating quality jobs and granular analysis of active labour market policies, which should protect workers and enable them to adapt to fast-changing productive patterns.

Public policies should be pinpointed on social cohesion objectives, incentivising autonomous and genuine collective bargaining, especially to multiply its redistributive impact and unleash its potential to introduce innovative measures to protect workers. They should also finance social protection measures, giving priorities to just transition, including securing job-to-job transition, an adequate minimum income framework in all Member States, as pushed by the ETUC with its continuous demand for an EU directive, and financing of quality and accessible public services, with sufficient human, financial and material resources, at the service of European people.

Against this scenario, a reform of the economic governance that activates investments (10% of GDP until 2030 is the gap for a complete green and digital transition with just transition) and preserves social cohesion, having the European Pillar of Social Rights as a cornerstone, is pivotal but unfortunately far from what is currently envisaged.

The ETUC is critical about the positions on which both decision-makers (European Parliament and the Council) are converging and demands a prolongation of the escape clause to further reflect on the most appropriate reform considering the environmental and social ambitions of the EU.

Still, the medium-term fiscal-structural plans shall offer new momentum for designing a policy mix that keeps fiscal, industrial and employment policies in a single strategic framework. This is the terrain on which social dialogue can express its maximum potential, and social partners should be involved in designing, implementing, and monitoring medium-term national plans.

2024 will be the year of medium-term planning of the fiscal, industrial, and employment policies with strong coordination between the EU's common objectives and national actions. The European Semester will be widely revisited and offer opportunities and risks for European Trade unions. In this regard, the **main objectives of the ETUC** are:

- To change the approach to the coordination of monetary and fiscal policies, especially in the Macroeconomic dialogue;
- To reinforce social objectives in the definition of fiscal, economic, environmental, and social policies, especially in the ASGS and in the Social Convergence Framework;
- To bind the EU Semester to the just transition and social progress objectives, the ETUC will renew its capacity to coordinate and offer support to its members and, in particular, will enhance the trade union involvement in the economic governance of the EU and the Social Convergence Framework.

In articulation with the EU semester, TUSLO will spearhead the demand to make solidarity policy tools permanent through the EU lending capacity that activates EU facilities for investment and employment stabilisation during a crisis and finance an EU fund for investments. They will explore the possibilities of the recent attention to Beyond Growth and a Wellbeing economy and how this can be part of the Economic Governance and Semester framework. In the annexe, one can find the actions and timeframe to reinforce the TUSLO network.

ANNEX I: ACTIONS AND TIMETABLE

A. ECONOMIC GOVERNANCE

A1. The ETUC is exercising the maximum effort in influencing the vote in the European Parliament, expected by 13 December, and the Council of the EU on 8 December, and then the negotiations in "trialogue".

12 December: Euro-demonstration against austerity

December – until the end: The ETUC will lobby with the EP and Council following the institutional calendar

January – TBC: The ETUC inputs on European Council conclusions that adopt the SGP reform

Dec 2023 – onwards: Austerity Watch will continue with enhanced coordination with the ETUC affiliates and sector perspectives.

Until the reform is completed, The Task Force on Economic Governance will stay in place until the end of the trialogue and meet regularly.

Feb-March 2024: The ETUC will contribute to supporting the Belgian and Spanish Presidencies in their work on social investment and will organise a meeting on social investment under the RRF with the EC. (First quarter of 2024).

B. EUROPEAN SEMESTER

B.1 With the start of the new ETUC Semester Toolkit Project (2024-2025), the ETUC toolbox will be renewed with the TUSLOs to adapt to the new timing and the quality of inputs required by the reformed semester. In this context, the ETUC will renovate its capacity to coordinate and offer support to its members in the framework of the EU Semester. The ETUC will focus on where its added value is the highest, and it will propose to TUSLOs to work along these lines:

- Involvement of social partners: designing, monitoring, and implementing Medium-Term Fiscal Structural Plans, which include the national fiscal trajectories; drafting and validation of annual progress reports in the EU Semester; elaboration of social CSRs and monitoring of fiscal trajectories
- Being key players in the implementation of the Social Convergence Framework: Influencing EU social objectives in the Joint employment report, Employment Guidelines and analysis of the social scoreboard; Exchanging and coordinating on national priorities in EMCO; Scaling up the ETUC index for sustainable growth and decent work as own alternative narrative of social progress in the EU.
- Influencing investment policies: Tracking RRF and its implementation; Advancing proposals for investments also giving greater relevance to SDGS; Monitoring and avoiding that OSA investments have harmful consequences on social and green objectives; creating the conditions to achieve an EU-financed tool for investments.

B.2 The ETUC toolbox will be renewed with the TUSLOs to adapt to the new timing and the quality of inputs that the reformed semester requires.

B3. TIMEFRAME

31 January - 1 February: TUSLO Training: designing a new ETUC Semester Toolkit (topics understanding fiscal trajectories, processes behind the design of national plans, trade union role and involvement, use of social indicators)

February - TBC: materials and leaflets explaining the content of the reform and impact on works and implications for Trade union action.
1 February: start of the collection of TU inputs for mid-term fiscal structural plans
Month of February: TUSLOs working group on ETUC Semester Toolkit review

March: RRF taking stock with DG RECOVER and SECGEN on social investments in RRF
Month of March: Trade union inputs for medium-term fiscal-structural plans were delivered and shared with the EC services. ETUC inputs on national plans issued and circulated

April: annual meeting with EC ECFIN services

April-May: 3 study groups with TUSLOs and concerned specialists:
Group 1: establishing an e-tool to monitor and empower trade union consultation in the EU Semester (in connection with the Social Convergence Framework)
Group 2: e-tool on investments, cuts and reforms in national plans

June: TUSLO Conference on the ETUC toolkit and ETUC priorities.

July (first week): RETHINKING EVENT, preparing for the EU Semester 2025.

September: ETUC for sustainable Jobs and Social Progress (inputs of the Autumn Package)

October: analysis of the first Draft Budgetary Plans under the new fiscal trajectory paths.

December: First ETUC report on trade union involvement in the EU Semester and the ETUC index of involvement.

C. SEMESTER AND SDG

Having regard to the priorities of the next UN High-Level Policy Forum, the ETUC will:

- March: Focus on poverty, climate change and correlations with sustainable job creation and decent work
- March: Build on the role of social dialogue to implement Goal 16, together with a reinforced focus on the rule of law and fight against corruption and criminality
- June: Improve the methodology of the SDG8 index of the ETUC2024
- July: organise Rethinking session: Title: EU post-2030 (including analysis of the economic governance and the industrial policy of the EU through the SDG lens).