ETUC Position on the 2019 Annual Growth Survey

Adopted at the Executive Committee of 18 – 19 December 2018

Summary

The EU should be less concerned with celebrating improvements in macroeconomic indicators and, instead, focus on improving working and living conditions across Europe. The AGS 2019 leaves the economic crisis behind and moves its sights towards priorities to build a prosperous future. The European Commission is confident that EU economic fundamentals are threatened only by global uncertainties. The ETUC is more prudent. It is surely time to address new challenges, especially the future of work and modernisation of social protection systems. But the crisis is not over, recovery remains fragile, not only due to external factors.

Extreme-right forces are a drag on economic growth and social progress. The EU has to respond by delivering tangible benefits for European workers and their families, keeping promises made with the solemn proclamation of the European Pillar of Social Rights. Approaching the EU elections 2019, this is what is needed to keep people anchored to the democratic values of the European Union.

Autumn Package 2019, ETUC Assessment

In September 2018, the ETUC set its priorities, claiming a quicker increase in real wages, namely through collective bargaining; ending poverty and strengthening social protection adequacy with a focus on health and long-term care; a quick implementation of the European Pillar of Social Rights especially for quality jobs. The ETUC was also urging a swift increase in investment levels, giving room to a positive fiscal stance. In light of the draft budgetary plans, this positive fiscal stance, at the end of the Semester, had to be close to €80 billion or 0.75% of EU GDP. Finally, the ETUC asked for more effective involvement of social partners in drafting national plans and applying Country Specific Recommendation (CSRs).

The AGS encompasses many of the priorities set by the ETUC as result of an enhanced dialogue at European level. However, some mismatches remain.

Wages

The fact that the Euro Area Recommendations now invite Member States to "strengthen the conditions that support wage growth respecting the role of social partners" is an important achievement. The wage issue is now framed in the correct terms. The AGS makes clear that wages have not performed as they should have done for years, and productivity grew more rapidly than real wages. It correctly states that some past reforms have undermined collective bargaining and social dialogue. It also recognises that wage growth should reinforce internal demand, and that investments are needed to increase productivity to back continued positive wage performances.

The ETUC is still convinced that wage growth needs more balanced collective bargaining rounds and increased coverage of collective agreements.

The ETUC supports the idea that capacities of social partners have to be reinforced in order to increase coverage and reverse the negative effects of the crisis.

But we should go further and specify that national, sector and multiemployer levels are more efficient for both workers and companies, especially SMEs (more than 95% of the productive fabric of the EU).

While some countries have substantially increased their statutory minimum wages, they remain below living standards and too many workers are stuck at the lowest level of the wage scale. Setting mechanisms for minimum wages should better involve social partners and be conducive to collectively agreed wage scales which ensure living wages, progression of income and careers for all workers.

Collective bargaining is a national matter and national plans are key because countries have to cope with different challenges to attain the common objectives set in the AGS. Autonomy of social partners has to be preserved. Social partners should be put in a position to autonomously decide their patterns of industrial relations. At European level, a Partnership for Collective Bargaining can support the process (see ETUC Resolution Reboot Collective Bargaining).

Investments

The ETUC insists that public investments have to be relaunched, especially as the public capital stock is deteriorating, endangering the development of our economy. Government spending should stimulate aggregate demand. The Euro Area recommendations set the objective of "fostering investment in the Euro Area" and to "support public and private investment and improve the quality and composition of public finances in all countries", placing higher responsibilities on "Member States with large current account surpluses".

The AGS sets some priorities: investments should upgrade strategic infrastructures, strengthen human capital for tomorrow's competitiveness and improve working and living conditions, moving towards a low-carbon, circular economy, in support of long-term sustainability. Public investments should boost internal demand. In particular, the ETUC supports the Euro Area Recommendations that prioritise "investment in skills" and effective "active labour market policies that support transitions". The Joint Employment Report provides further directions for policy-makers.

All this can be agreed. However, it should be considered that: a) resources mobilised by Juncker's plan remain insufficient; b) the MFF is still a small fraction of the AGS and subject to many adverse conditionalities; 3. public finances are compressed by tightening fiscal requirements. In reality, the EU (and in particular the Euro Area with an aggregate deficit below 1% of GDP and aggregate debt at 80%) can afford a positive fiscal stance to achieve levels of investments close to ETUC target of 2% of GDP and incremental amount of €300 billion per year.

What the AGS does not say is that investments should increase in volume, should be directed toward the implementation of the EPSR and be prioritised through a serious dialogue with social partners at EU and national level. Member States are called upon to present their priorities in national plans. The Commission should also call on national government to dialogue with social partners when setting such priorities. Unfortunately, the Draft Budgetary Plans 2019 do not go in this direction.

The Semester 2019 should promptly remedy this in stability programmes in April, as instructed by the Country Reports. Inputs from social partners should be key.

Labour Market

Employment rates in the European union and the Euro Area have recorded increases since 2013 and are now above their 2008 levels. Concomitantly, unemployment rates decreased to within half a percentage point of the pre-crisis level for the EU28 (with still much more to do in Eurozone countries). Work volume, however — i.e. the total hours worked — is still below its 2008 levels. Temporary employment rates have increased both for the European Union and the Euro Area since 2012 and stand at 11.3% and 12.7% of total employment with unacceptable peaks in countries that suffered labour reforms during the crisis. The expansion of non-standard jobs (freelance, zero-hour contracts etc) has helped to bring down unemployment statistics, but in so doing has forced workers into precarious arrangements without income guarantee or access to social protection and rights. Average work hours continue to decline. In a small number of notable cases this has been through collectively bargained reductions to manage work fairly and constructively. Yet for millions of workers it has been achieved via involuntary part-time employment. There are not enough open-ended, full-time, standard jobs available. Low wages and precarious employment affect especially women.

The ETUC is disappointed that the quality of jobs being created across Member States is not a clearer and more pressing priority for the Commission. The Joint Employment Report (JER) identifies challenges and priorities in the major trends cutting across national economies and continues to be an improvement on previous versions now that it has a more clearly defined structure, due to the adoption of the European Pillar of Social Rights and Social Scoreboard. Fighting poverty, segmentation of the labour market, shortages of Active Labour Market Policies, inefficiencies in social protection schemes, especially in terms of adequacy and coverage, appear as major challenges in the JER. Yet the report could be greatly improved by being more inclusive in its approach and addressing the issues that millions of workers are raising through their elected trade union representatives. Work quality continues to receive little more than lip service. The social scoreboard can also be improved. Based on a technique that benchmarks countries according to their distance from the mainstream, the risk is that the scoreboard delivers too rosy a depiction of reality, thus delaying measures that would promote quicker upward convergence of living and working conditions.

Still, the AGS and JER start envisaging new perspectives to build protection for new forms of work. The ETUC is convinced that this exercise needs to be framed in clear EU rules fixed in legislation such as the Work-Life Balance Directive, Transparent and Predictable Working Conditions Directive, the European Labour Authority and the Recommendation on access to social protection. The swift adoption of these legislative initiatives, without diluting their contents, is urgent.

In this regard, the ETUC is extremely cautious about strengthening technical assistance programmes through which the Commission pushes structural reforms at national level without full consideration of social partners' involvement and preservation of the basic rules of transparency and accountability of such programmes (see also ETUC position on the Completion of the Economic and Monetary Union).

The ETUC still considers that the Semester should look ahead to better protect workers in new forms of work or involved in labour transitions imposed by environmental policies or technological transitions or increasing mobility of work. Furthermore, a decade of attacks on collective bargaining have resulted in 10 years' delay in modernisation of workers' protection. Re-booting collective bargaining is also key to allowing trade unions to better incorporate new and older workers' needs in new statutory or collectively agreed rules.

The ETUC proposes that Euro Area Recommendation 3 should be amended in such a way as to involve social partners in measures to address “labour market segmentation and ensure adequate social protection systems across the Euro Area”, and that such policies should be fully aligned to the 20 principles of the European Pillar of Social Rights.

Social Protection

The approach of the AGS and the Autumn Package in general to social protection-related issues is ambivalent. The implementation of the EPSR is often presented as a trade-off with the fiscal requirements of the Stability and Growth Pact. It is time to reinforce public expenditure to ensure adequate and universal social protection standards, also using flexibility in the SGP when necessary to build more resilient societies which support economic stability and growth.

The AGS clearly states that the social consequences of the crisis are still deeply felt across the EU. Poverty, inequalities and social exclusion remain at worrying levels. Women and groups such as children, people with disabilities and people with a migrant background are particularly exposed. The AGS recalls the need for “the development of inclusive and growth-friendly social protection schemes, fairer tax-benefit systems and labour market institutions that effectively combine flexibility and security”. While recalling that the ability of governments to tax top incomes and wealth owners has become increasingly limited, the AGS also recognises that ensuring fairer taxation is a precondition for more inclusive growth.

The ETUC agrees that “national reforms … should focus on the adequacy of benefits and coverage as well as optimising incentives for labour market participation”. These demands respond to the very low efficiency of social transfer registered in the past cycle, as shown by the social scoreboard.

As the ETUC demanded, the AGS focuses in particular on pensions, healthcare and long-term care. However, the AGS is still not clear enough on efficient policy drivers activating “additional measures to ensure both fiscal sustainability and adequate coverage”. Measures to mitigate the social consequences of Europe’s ageing population need to be qualified and specified. It is welcome that the AGS refers to more dynamic and inclusive labour market and welfare systems, and also to the need to rebalance flexibility and security in the labour market.

The focus on fiscal consolidation may lead to stricter boundaries for public expenditure on pensions, healthcare and long-term care. This would be to the detriment of quality and universal access, thus perpetrating a trade-off between adequacy and sustainability that has been repeated for years and confirming the difficult coexistence of the SGP and the EPSR in the same policy framework.

The ETUC recalls that workers’ money is not a financial asset but a guarantee of income at an older age or shelter in case of adverse events. In the remaining part of the Semester, the ETUC will hold the Commission and Member States accountable for achieving improved standards of living and preserving intergenerational solidarity, for reinforcing public pillars of social protection and – where pertinent – ensuring that private actors with a role in providing health and long-term care are strongly regulated and accurately monitored.

National plans (inspired by country reports) should have a specific focus on how to reinforce intergenerational fairness. The best way to preserve intergenerational fairness is to offer secure, quality jobs to younger people, investing in job creation, career continuity, and fair remuneration.

The available data on youth employment illustrate also the huge gaps in access to social protection. People at work should be in a position to contribute to protection systems. Member States, under the coordination of the EU, should tackle the phenomenon of undeclared work.

Involvement of Social Partners

The ETUC finds the engagement of social partners at national level to be insufficient. Despite the efforts in recent years, the Trade Union Involvement Index is worsening in many EU countries, reflecting a more general deterioration in the health of social dialogue.

The ETUC warns that recently established productivity boards should never prejudge the results of social dialogue or be an obstacle to the free and autonomous deliberations of social partners.

The peer review exercise running in EMCO involves social partners but delivers poor results. The ETUC asks the Commission to encourage national governments to seriously engage in appropriate, accurate and timely consultation with social partners at the milestones of the Semester and in the implementation of Country Specific Recommendations. The ETUC also asks that an EU rule should be introduced to oblige national governments to consult social partners at the milestones of the Semester. National plans in April should report in detail how social partners have been involved during the current Semester.

EURO Area Recommendations

The ETUC proposes the following amendments to the Euro Area Recommendations (ETUC amendments in bold and underlined):

HEREBY RECOMMENDS that Euro Area Member States take action, individually and collectively within the Eurogroup, in the period 2019–2020 to:

Deepen the Single Market, improve the business environment, and pursue resilience-enhancing product and services market reforms**, implement the European Pillar of Social Rights**. Reduce external debt and pursue reforms to boost productivity in Euro Area Member States with current account deficits and strengthen the conditions that support wage growth respecting the role of social partners and implement measures that foster investment in Euro Area Member States with large current account surpluses.

Rebuild fiscal buffers in Euro Area countries with high levels of public debt**, without hampering the capacity of public expenditure and social protection systems to end poverty and reduce inequalities.** Support public and private investment and improve the quality and composition of public finances in all countries.

Shift taxes away from labour **while preserving contributions for social protection systems and ensuring progressivity in taxation.** Strengthen education systems and investment in skills, as well as the effectiveness of active labour market policies that support transitions. **Increase participation rates of women, young workers and migrants. Together with social partners, a**ddress labour market segmentation and ensure adequate social protection systems across the Euro Area, **abiding by the 20 principles of the European Pillar of Social Rights**.

Make the backstop for the Single Resolution Fund operational, set up a European Deposit Insurance Scheme and strengthen the European regulatory and supervisory framework. Promote orderly deleveraging of large stocks of private debt. Swiftly reduce the level of non-performing loans in the Euro Area and prevent their build up, including by removing debt bias in taxation.