ETUC for RECOVERY and SOCIAL PROGRESS 2022

ETUC inputs for the EU Semester cycle 2022 – Autumn Package

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Contents

ETUC for RECOVERY AND SOCIAL PROGRESS 2022 2

Annex 1: Inputs for the Joint Employment Report 2022... 8

Annex 2: Evidence and Facts that supports the "ETUC for Recovery and Social Progress" in Semester 2022 (after the RETHINKING session 2021) 13

Annex 3: Trade Union Involvement in the RRF 38

ETUC for RECOVERY AND SOCIAL PROGRESS 2022

A new economic model

The EU Semester 2022 is an opportunity for the EU to move toward a practice that looks beyond the GDP and adopt a development model that is conducive to a just transition for environmental and social sustainability. The sustainability agenda should be driven by a reinforced **commitment to promote sustainable growth, full employment and decent work.** The European Social Partners introduced a set of indicators that complement the GDP for a sustainable well-being.

It means that the Semester will finally engage the EU and all member states in **implementing the EPSR Action Plan** adopted in Porto and to achieve the Porto's headline targets on employment, education and training, and poverty. Social imbalances, which are also detected in view of the upgraded social scoreboard, should be addressed and resolved bringing about upward convergence of working and living conditions of people.

Quality jobs should be at the heart of the recovery strategy of the EU. The European Pillar of Social Rights (EPSR) and the UN Sustainable Development Goals (SDGs) should be the compass for EU policy making. The full implementation of the RRF and public incentives to support employment must be conditioned to the creation of well remunerated jobs, the respect of labour rights and health of workers, and the observation of the social and fiscal obligations of employers, including the right to collective bargaining.

All **investments** covered by the RRF should be **financed under the condition that leads to a net job creation and provide shelter to workers that are experiencing job transitions**. We need an EU vision that allocates investments in sectors that are strategic for the EU economy, achieves all SDGs and improves the position of women and youth in the labour market.

Social dialogue and collective bargaining are crucial to ensure equality, social cohesion, social mobility and sustainable growth. This is particularly urgent in this historical moment, when a larger part of the aggregate income and wealth (as consequence of the pandemic and the green and digital transformation) is transferred with uncertain redistribution effects, which may penalise groups and workers who risk to be underrepresented in absence of well-balanced industrial relations.

As the national recovery and resilient plans (NRRPs) set a detailed roadmap for investments and reforms**, it is urgent that the new ASGS sets rules to align the NRRPs to the EPSR Action plan. I**n particular, expedite implemented of the Recommendation on **Effective Active Support to Employment** (EASE), in close cooperation with social partners. In this regard, well-equipped public employment services are needed to implement active labour market policies and to perform the outreach strategies identified to undergo the digital and green transition. PES also play a key role in the integration of the most vulnerable groups of society in the labour market: precarious workers, women, migrant and seasonal workers, workers with disabilities and young NEETs.

Macroeconomic outlook and Euro Area Recommendations

The macroeconomic outlook presents several elements of uncertainty. Fiscal and monetary policies should remain expansionary to give leeway to government expenditure in support of employment, to reduce poverty and to create a good environment for real economy to develop. In their policy landscape, the ECB and the European Commission should focus on investment and job creation and the urgent need to protect people who are affected by either the pandemic crisis or by transition of the accelerating green and digital transformations.

The ETUC stresses that the economic growth will reward countries in different manners. It means that the recovery phase, even in a situation of sustained growth, may not be able to eliminate disparities and inefficiencies in the internal market and may lead to higher inequalities or social fractures that would divide the EU and its population into winners and losers. This has to be avoided by having a reliably mapping of the social risks threatening the recovery phase and which warrant resources to address social gaps with EU and governments' budgets.

Policymakers need to detect social risks and take into account the pandemic divergent employment effects across industries; and long-term unemployment must be prevented and tackled as much as possible. The principles of upward convergence and social progress should guide the adaptation of the Porto targets on employment, poverty and education/training and the adoption of sub-targets at national level. The fiscal and macroeconomic position of member states have to be assessed in view of the contribution of each single member state but cannot be invoked to prevent the adoption of more ambitious targets and sub-targets as foreseen by the European Commission working method..

The resurging of inflation should be monitored as it exercises pressure on wage earners. The ETUC is worried that the quick soaring of energy and food price and the inflation rates can create excessive pressure on the purchasing power of wages. Households depending on wage earners can be exposed to difficulties and also poverty. This should be taken in consideration in the next European Semester.

There is an increasing demand for social justice among people. Non-progressive taxation and current settings of social transfers are seen as a source of economic unfairness. The European Commission should continue assessing the differentiated impact of the crisis especially on vulnerable groups, ensuring the coverage of social safety nets and increasing social transfers that favour social and tax justice and just transitions. This should also be accompanied by a swift implementation of international agreements against tax avoidance and tax competition. EU taxation should be a tool to rebalance social, environmental and economic objectives of the economic governance.

The **ETUC urges the Commission to resume consultation, debates and discussions on the EU Economic Governance review**, to reform the Stability and Growth Pact and subsequent legislations to prevent a return to austerity which would have great detrimental economic and social effects. Such reform should protect and strengthen public investment and provide flexible and country-specific debt adjustment paths. The ETUC also asks the Commission to put forward country-specific guidelines for transition periods until its full implementation, during which time no excessive deficit procedure should be activated and with the possibility to use the "unusual event clause" on a country specific basis. (See Box 1).

Implementing the EPSR

The ETUC would like to stress that the next Semester phase should give legs to the Action Plan implementing the EPSR, as endorsed in Porto by all EU institutions, EU social partners and Members States. In this regard the implementation of the RRF is crucial and bottlenecks to the quick implementation of both grants and loans have to be

BOX 1: KEY DEMANDS for a renewed EU Economic Governance (full resolution here)

Key demands in the architecture of the economic governance

- Including the EPSR in article 148 of the TFEU
- Introducing indicators to complement GDP when measuring 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 (SIP) that leads to social CSRs, corrective measures in NRRP implementation and in-depth review of non-performing countries
- Monitoring the implementation of the Green Deal and ensuring a just transition policy in national plans.

removed. **The RRF, also in combination with the MFF, can create conditions for a job-rich recovery. Legislative initiatives** planned in the EPSR Action Plan **are a necessary complement** to achieve the EPSR objectives of upward convergence of living and working conditions.

Investments should also boost productivity thus giving room for improvement of working conditions. Growth and productivity gains need more collective bargaining especially because wage earners may continue suffering in the upcoming economic phase because of surging inflation and pressure on real wages exercised by digitalisation of the economy and higher unemployment.

To mitigate the social impact of the economic consequences of COVID, it is important that all mechanisms that allow a fairer distribution of income and wealth are in place. Among them, the ETUC wants to shed light on social dialogue and collective bargaining. Collective bargaining, and in particular sectoral collective bargaining, must be safeguarded as it has also played a key role during the COVID-19 pandemic, unlike the pressure exerted in the aftermath of the last economic crisis. Social dialogue is key to ensure that enhancement of social protection systems and subsidies to companies are allocated in an efficient manner preserving social cohesion and leading to high employment levels. Social dialogue has to be encouraged at all levels, ensuring a strong coordination between national and European levels.

In this regard, regional disparities (concerning income, wealth, education, health access, social mobility) **are seen as a reason of increasing inequality and unrest among EU people.** EU policies should take into account better the effects of EU decisions on regional disparities.

The Porto's poverty targets should be detailed better at EU level. The ETUC thinks that poverty needs an action plan that addresses all aspects of poverty, including in-work poverty. The current demographic context requires a strong anti-poverty strategy, and the guarantee for all EU citizens and residents to "**age in dignity**". Higher public expenditure for social transfer and safety nets to prevent poverty is necessary. Increasing public expenditure according to the demographic projections is necessary to satisfy the rights and the needs of present and future elderly people. The sustainability of adequate pensions for all generations is achievable through a better labour market integration of people of working age, in quality jobs.

Employment and workers' income support schemes must remain in the toolbox ready to be prolonged or reactivated if further pandemic waves materialise. Countries that are not well equipped should be asked to introduce these instruments in cooperation with social partners, and adapt them to national or regional situations. The European Semester needs to put particular emphasis on the long-term unemployed. This will require giving specific attention to particular age groups (such as older workers), regions (for instance those reliant on tourism) and workers lacking skills that are likely to be increasingly important in the post pandemic world.

The establishment of **short-time working schemes** and its extension to the self-employed and casual workers was backed by the Support to mitigate Unemployment Risks in an Emergency (SURE), a European instrument. Building on the positive experience of SURE, **supranational automatic stabilisers** should be established at European level to support countries experiencing asymmetric economic/employment shocks.

Women's position in the labour market remains a challenge as the gender gap widened during the pandemic. Two factors are making women worse off in the labour market: the first is occupational disruption in sectors dominated by female employment, the second is the overburden of care giving. **The Employment Headline target adopted in Porto can only be achieved by adopting ambitious targets at national level to include women in the labour market**, creating incentives, infrastructures and removing barriers and discriminations. The sub-target on the reduction of the number of NEETs should also be further pursued at national level in coherence with a more ambitious mobilisation of the Youth Guarantee that should be strengthened in light of the Council Recommendation of 30 October 2020 with the active involvement of national social partners. Childcare facilities and adequacy of social protection schemes have to be designed keeping in mind the need to increase a stable, qualified female participation in the labour market.

Addressing gender gaps means improving women position in the labour market first of all. The European Semester should monitor women participation in the labour market, access to apical positions, and employment and pay gaps. A policy mix has to be activated to enhance minimum rights at EU level (implementation of Work-Life Balance Directive and adopting a pay transparency Directive), quality effective labour market policies to reactivate women that left the labour market during the pandemic, ensuring voice of women at the work places, providing training and investing in care facilities and implementing measures that more evenly distribute care duties between men and women. **Collective bargaining**

is crucial to activate such measures and to set up working time arrangements and support for care responsibilities that help women participation in the labour market and protect them on the workplace.

The implementation of the EPSR should ensure that all workers, either employed or unemployed, urgently need support in accessing upskilling and reskilling trainings, and have the right to employee training, paid educational leave, full qualification, validation of informal and non-formal learning, and guidance and counselling. This **target can be achieved** if every EU country legislates the right and access to adult learning for all, including the unemployed; right and access to employee training with sustainable investment by the employers; and right and access to different types of paid education leave. In order to reach the target, it is essential to monitor the participation and financing of adult learning and employee training provided within and outside of the companies on company-related training needs.

The implementation of the RRF should give greater impulse to social partners' involvement in the EU Semester and in the implementation of NRRPs. Unfortunately, so far, social partners' involvement was sporadic, fragmented and in the NRRPs social partners are almost never are treated as co-regulator of the labour market and work conditions at workplace. The next EU Semester should remedy this, because without social partners the greatest part of economic and social reforms in the NRRPs are likely to fail. In the absence of a clear framework (binding rule for governments) to involve social partners at EU and national levels, it will not be possible to establish a stable and fruitful cooperation between policy makers and social partners, thus feeding risks of diverting the EU Recovery plan from its overall social purposes (i.e. social and green objectives envisaged by the RRF Regulation).

The ETUC's input to the NRRPs also showed how a SDG8-centred approach would support the digital transformation creating a positive correlation between the #EU_SDG8 index and the DESI indicators. The next semester should take into account that this correlation is stronger for countries that are both late in the sustainability agenda and late in the modernisation of their economies. Investments in decent work can help speed up the digitalisation agenda, it is therefore important that a strong protection is established for workers engaged in platform workers or the digital economy, as in the big web companies.

<u>Green agenda and just transition</u>

The ETUC supports the objective of the Fit for 55 package to rapidly reduce EU's greenhouse gas emissions. However, growth and job creation in Europe can still be at odds with the achievement of the green agenda. Furthermore, in a context of exploding energy prices, the creation of a separate EU ETS for road transport and building will make working people holding the cost of the green transition by raising energy bills and lead to further backlash against urgently needed climate action. The burden of the climate transition is being placed on low-income households at a time when 50 million EU households are already in energy poverty while the principle 20 of the EPSR recalls that "everyone has the right to access essential services of good quality, including […] energy". Nonetheless, some countries and economic sectors are showing the way ahead creating a positive correlation between economic expansion, job creation and reduce environmental impact.

The RRF is crucial to convert the EU economy to fight climate change and reduce environmental impact. **While the RRF's implementation should be monitored together with social partners to identify the just transition needs, the NRRPs alone cannot fulfil the needs** of the European workforce to go through the green transition. The

EU Semester should help by allocating structural funds in a way that they are complementary to the NRRPs to provide skills and activation measures for workers in order to ensure continuation of employment or a quicker transition to new jobs, and shelter those that are affected by the green transition.

National Plans allocate huge financial resources to this objective even if for the transition to happen, it needs to be inclusive and socially fair. The burden of the transition should not be supported by low-income households or vulnerable groups and no worker should be left behind in this process. Sustainable investment can align private sector to the EU social, environmental and economic objectives. Waiting for a full implementation of the EU taxonomy for sustainable investments, the EU Semester may start measuring the impact of private investments for social progress and green transition using an SDG8-centred approach and the EPSR.

The RRF and next Semester cycles have to be a "game changer" to convert the EU into an economy that ensures growth, jobs and environmental sustainability. The correlation between the #EU_SDG8 and indicators of green sustainability should help identify concrete measures for a just transition. Such Just Transition Framework should (1) guarantee that just transition strategies are developed in all sectors and regions through social dialogue and collective bargaining, (2) guarantee worker's right to information, consultation and participation, especially in case of restructuring processes and decarbonisation plans, (3) guarantee individual's right to training and worker's participation in the design of training programmes, and (4) secure sufficient investments as well as develop industrial strategies to create alternative quality job opportunities.

Annex 1: Inputs for the Joint Employment Report 2022

The Covid-19 crisis and its economic and societal impact

The closure of workplaces in the framework of the lockdowns called on to contain the transmission of the coronavirus led to the layoff of 5.7 million EU workers in the first six months of 2020.

Employment rates of female and male workers declined relatively similarly with 1.2 and 1.4 per cent, respectively. This is low compared to the 2009 crisis due to more widespread use of short-time work schemes, but this is different from the crisis in 2009 when the impact was stronger for male workers due to the downfall of the construction sector while many essential workers during the COVID-19 crisis were in predominant-women jobs. However, as it already happened in the previous crisis, youth was severely hit by the crisis, with a decrease on employment rates of 5.7 per cent, in contrast with the 1.9 per cent decline for the age-group 25–49 by 1.9 per cent (data provided refer to European averages). The overrepresentation of young people in precarious jobs, like short-time contracts is one of the reasons behind this, besides the fact that restrictions to prevent the spread of the virus have affected industries (like the service industries, such as restaurants and amusement parks, among others), where young workers more frequently perform their job. It is also worth mentioning that the impact of the crisis was harder on long-term unemployed, and on occupational groups associated with elementary education attainment levels.

Workers across the EU suffered from loss of income as a result of the unemployment which followed the Covid-19 crisis and also the short-time working schemes and other forms of non-standard of employment. Whereas these temporary measures saved many jobs after the outburst of the crisis, but in many cases foresaw a substantial reduction of the real income and therefore had an impact in the living conditions of many workers and their families.

Considering the fact that many European workers remained in employment (many of them on furlough or short-time work schemes), yet they were not actually working during the lockdowns, the unemployment rate evidenced to be an inaccurate indicator to measure the extent of the impact of the crisis in the European labour market. Workers across the EU suffered from loss of income as a result of the unemployment which followed the Covid-19 crisis and also the short-time working schemes, which in many cases foresaw a substantial reduction of the real income and therefore had an impact in the living conditions of many workers and their families.

At this regard, the number of working hours provides a better picture of the dimension of the problem: According to data from EU Labour Force Survey, the general decline of working hours from April to June 2020 was of 14–15 per cent.

According to data from Eurostat , the general decline of working hours in the main employment from 2019 to 2020 was of 12% with significant variations across Member States, from 19,7% in Greece to 3,2% in the Netherlands.

With regards to the sector which were more affected by the economic downturn, those implying interaction or transport of people (contact-intensive sectors) underwent more problems. The hardest hit industry has been tourism, which in many southern European countries constitutes a significant share of its economy.

When it comes to the economic forecast, many studies indicate continuous high economic growth of around 4% of GDP in the coming years which will facilitate that pre-pandemic employment levels will be reached in 2021 or 2022. However, the better proxy indicator of the hours worked will lag behind the employment rate and will not recover until 2022 or 2023 considering the strong decline in hours worked in 2020.

There is a need to rebuild and strengthen social dialogue and collective bargaining structures across Europe. Both are key to ensuring quality jobs and just transitions. The trade union movement expects a committed follow-up of the Porto Social Summit. Labour shortages have been accentuated in the least developed regions of Europe the last decade and they are still visible despite the COVID crisis. Further shortages are arising as a result of new skills needs to manage the transition to a digitalised and decarbonised economy. Needless to say, the transition praised by all political voices is impossible without a supportive fiscal framework that allows investments to flow where needed.

The EU response

The establishment of short-time working schemes and its extension to self-employed and casual workers was backed by the Support to mitigate Unemployment Risks in an Emergency (SURE), a European instrument which offered €90.6 billion in loans to EU Member States on favourable terms. Some 40 million European workers were estimated to be in receipt of some state support in May 2020. In most countries, the protection of workers against dismissal by the employers was a requisite for accessing financial support from the state.

At the beginning of 2021, the European Commission presented the "Recommendation on an effective active support to employment following the COVID-19 crisis" (EASE). ETUC welcomed the call included to the strengthening the Public employment services, which were severely damaged by the financial cuts undertaken as a failed response to the crisis of 2008. Well-equipped public employment services are needed to implement active labour market policies and to perform the outreach strategies well identified in the communication. 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 young NEETs, an element which the communication only addresses from the point of view of combatting discrimination and increasing equality.

The ETUC welcomes the scope and intentions of the Action Plan on the Social Pillar, which places the social dimension at the heart of the recovery from the COVID-19 crisis. However, actions taken must live up to the narrative to ensure that the plan is a game changer that will rebalance the economic dimension.

The latest Joint Employment Report made some considerations regarding employment pickup and labour market segmentation in which references were made to the fact that fixed-term contracts were a way to “support labour market entry while serving as a ‘steppingstone’ to regular employment”. ETUC refuses to the narrative that precarious working conditions should be promoted as an entry point in the labour market to make labour more attractive to employers.

ETUC demands to the Joint Employment Report 2022

The above-mentioned employment forecast is based on the assumption of a strong economic growth. The EU should provide for expansionary fiscal and monetary policies to pave the wave for economic growth. Repeating the same mistakes of the political response to the crisis of 2008 will only undermine the economic recovery and put European workers at risk. The rejection of the Fiscal Compact is longstanding by ETUC and the Stability and

Growth pack should be redesigned to bring together economic aspects with the European Pillar of Social Rights, the UN2030 agenda and the much needed ecological and digital just transitions.

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 resources.

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.

The European Union should take further steps towards an economic and social model which places quality jobs, carbon neutrality, and inclusiveness at its center. The European Pillar of Social Rights and the UN Sustainable Development Goals (SDGs) should serve as the compass for EU policy making. In particular, the SDG 3 (“Ensure healthy lives and promote well-being for all at all ages”) and SDG 8 (“Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all”) should be integrated in the European Semester to steer Europe to improving the living conditions of its citizens by purring forward an agenda for sustainable growth, production, environment preservation, employment and quality jobs.

The European Union should aim at fairer wages across the salary scale and wealth distribution, increased public spending and investments, especially delivering quality public care services, public employment services, education and training, and effective social security and social protection for all, with specific attention to vulnerable groups. ETUC therefore calls for Commission to bring forward a Framework Directive to guarantee the full involvement of social partners for the achievement of fair minimum wages by preventing exploitative conditions of employment and by promoting collective bargaining as a fair condition of employment, in full observation of the prevention by the EU Treaty for the EU to set levels of pay.

Health and social care services were already under pressure before the pandemic with widespread staffing shortages. These were exacerbated as demand soared and staffing levels were hit as health and social care workers became infected. The 2020 country specific recommendations for all Member States underlined the need to establish resilient health services and central to this will be urgent measures to recruit and retain more staff and deal with the pay and conditions issues that have plagued the sector for many years. This was recognised particularly in regards to long-term care (LTC) by the European Council's endorsement of the findings of the Commission report on LTC.

Public employment services should be strengthened so as to live up to the challenges brought by the crisis and contribute to the integration of the most vulnerable groups of society in the labour market, with specific reference to women, young people, migrants (including those undocumented, asylum-seekers and refugees), mobile workers, and people with disabilities.

The European Pillar of Social Rights (EPSR) is a crucial component of the European economic governance, it should be placed on equal footing as economic rules. This is a precondition to provide for upward convergence among European member states and for improving the working and living conditions of its citizens. The new social scoreboard includes indicators to track developments on employment, education and poverty and they should have a greater impact on the economic governance.

Besides the social scoreboard, ETUC has also developed its Sustainable Growth and Decent Work index, which offers a more complete system of measurement including elements such as economic well-being, inclusiveness of labour markets and vulnerability of workers throughout their working lives and beyond, promotion of workforce qualification, gender gaps, upward convergence of wages, youth employment, and inclusiveness and effectiveness of social protection systems.

National short-time work schemes should continue as long as needed, and they should be supported with adequate resources, including EU funding, until full recovery is reached. Considering that many jobs are disappearing by the time the furlough schemes come to an end, it is important that these measures are combined with active labour market policies for the participants to these programs. ETUC acknowledges that this demand is backed by the European Commission in its Recommendation on Effective Active Support to Employment following the COVID-19 crisis (EASE), which in its point 6 states that "Attention should be given to the risks of phasing out emergency measures without effective new policies in place to support workers and firms during the recovery". A tailored approach should be sought in such a way that industries that have been most affected by the health and economic crisis continue to benefit from support schemes, or these are swiftly reactivated in case of new waves of contagion. Specific active labour market policies will need to deployed with the full involvement of social partners to support sectorial transitions in cases of structural changes, like for example an extended period of low tourism demand and greater demand in other sector such as ICT or renewable energies. Tailored labour market policies are needed for those groups of the European labour market which are more vulnerable and that have been more affected. The Joint Employment Report should also address the implementation of the new EU Roma strategic framework for equality, inclusion and participation for 2020-2030. Social safety nets should meet the demand to protect workers across this transition. Apart from the tourism sector, the entire entertainment, cultural and event sector suffered greatly from the crisis, and this is still the case. The hotel and catering industry was also hit very hard. This exceeds the tourism sector.

There are also additional effects that need to be further investigated and which have an impact on employees' income. Even in the case where the income was maintained by the job, e.g. by massive teleworking, or by short-time working or temporary unemployment, we see large movements in the price development of different products and services. For example, the average price of housing has risen sharply and so has the price of energy sources (electricity, gas, heating oil and fuels). This has a direct effect on the purchasing power of workers, who at best have been able to maintain, or partially maintain, their income. The real cost of living has risen sharply. Not all of these aspects are translated by an automatic indexation of salaries; in fact, not all EU Member States have such a mechanism, while salary negotiations are often restricted with a view to preserving jobs and employment, the additional costs are not taken into account.

Europe should put forward ambitious right-based policies according to individual needs to avoid long-term unemployment. Long-term unemployment produces a scarring effect in individuals and societies. At this regard, ETUC recalls the need for sustainable public investment to guarantee proper active labour market policies, including counselling, mediation, subsidized employment and other job-transition mechanisms, as well as upskilling and reskilling. The provision of training to the unemployed and people with low qualification should provide for achievement of certified basic skills, professional skills and key competences leading to accredited qualifications to implement the Council Recommendation on Upskilling Pathways: New Opportunities for Adults (2016) and the Council recommendation on the integration of the long-term unemployed into the labour market (2016).

And the caveat introduced above on the need to adapt the policies to the features of each group (such as young or older workers, women, and migrants), the educational level attained, and the specificities of the region should be considered again in the design of policies to tackle long-term unemployment.

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. European Institutions should better link available EU tools in order to help Member States to create direct jobs of good quality.

Public incentives to support employment must be conditioned to the creation of quality jobs, the respect of labour rights, and the observation of the social and fiscal obligations of employers, including the right to collective bargaining.

Building on the positive experience of SURE, supranational automatic stabilisers such as a European Unemployment Reinsurance Scheme should be established at European level to support countries experiencing asymmetric economic shocks. This does not interfere in the exclusive competences of Member States on unemployment benefits. This would avoid the devaluation of labour, with the dramatic and social consequences which were witnessed as a political response to the crisis of 2008.

Training is one of the most relevant active labour market policy interventions. ETUC welcomes that the EPSR sets a new target whereby at least 60% of all adults should participate in training every year by 2030. Trainings must however lead to quality jobs and just transition of the workforce. EU member states should grant the right and access to adult learning for all, including the unemployed; the right and access to employee training with sustainable investment by the employers; and the right and access to different types of paid education leaves, which should be portable within and across member states. These policy demands should be tracked by the European Semester.

It is important that funding systems and tools for upskilling and reskilling are tailored to the needs of each member country.

Effective social dialogue with the trade unions, respect and enforcement of labour rights, and information and consultation with workers on employee training and apprenticeship in company levels are fundamental.

Annex 2: Evidence and Facts that supports the "ETUC for Recovery and Social Progress" in Semester 2022 (after the RETHINKING session 2021)

The EU Semester 2022 is an opportunity for the EU to move toward a narrative that looks beyond GDP and to adopt a development model that combines environmental and social sustainability in a logic of just transition. It means that the Semester will finally commit the EU and all member states to achieving Porto's headline targets on employment, education and training, and poverty. Bottlenecks that impede a quick deployment of the RRF have to be removed. Social imbalances, detected also thanks to the upgraded social scoreboard, should be addressed and resolved in a logic of upward convergence of working and living conditions of European workers.

It is urgent to design a strategic plan that would set the EU on a sustainability track as set in the UN2030 agenda. Investments will set the green and social objectives in a synergic position and a digital revolution that is job-rich, human-centred and respectful of workers' rights. **Still, the ETUC considers that the European Semester should help push the social sustainability agenda upward, giving full implementation to the EPSR Action plan.** Having regard to economic well-being, inclusiveness of labour market, workers' vulnerabilities, green objectives and technological advancements (the ETUC #EU_SDG8 index monitors these policy area).

All investments under the RRF should be financed under the conditions that lead to a net job creation and protect workers that are involved in job transitions. We need an EU vision to allocate investments in sectors that are strategic for the achievement of all SDGs. In this regard special attention has to be paid to women's position in the labour market.

Social dialogue and collective bargaining are crucial to ensure equality, social cohesion, social mobility and sustainable growth. This is particularly urgent in this historical moment, when a larger part of the aggregate income and wealth (as a consequence of the pandemic and the green and digital transformations) is transferred with uncertain redistribution effects that may penalise population groups and workers who risk being underrepresented in the absence of well-balanced industrial relations.

As the national plans set a detailed roadmap for investments and reforms it is urgent that the new Annual Sustainable Growth Strategy (ASGS) will set rules to integrate the European Pillar of Social Rights (EPSR) Action plan in the NRRPs and in particular will update targets and milestones to the achievement of the Porto Summit headline indicators. The EU Council has adopted the National Recovery and Resilience Plans (NRRPs) and financial resources begins to be delivered and this should speed up the green and digital transformation of the EU economy. While the RRF Regulation ensures that the NRRPs are assessed also against their social objectives they pursue, the current grid of assessment of NRRPs does not include the outcomes of the Porto Social Summit and in particular the EPSR Action Plan, the Porto headline indicators, the EASE Recommendation and the updated social scoreboard.

The macroeconomic outlook presents several elements of uncertainty. The macroeconomic outlook is set on economic growth even if it may take time to re-align economic trends to the baseline scenario estimated in pre-CoViD times.

Fiscal and monetary policies should remain expansionary to give leeway to government expenditure in support of employment, to fight poverty and to create a good environment for real economy development. The ECB and the European Commission should have in their policy landscape investment and job creation and the urgent need to protect people who are affected by either the pandemic crisis or by transition of the accelerating green and digital transformations.

The ETUC would also stress that economic growth will reward countries in different manner. A lot depends on today's policy decision but it depends on how national economies stepped into the pandemic crisis as well. The EU internal market has recorded one of the highest levels of inequality before social transfers[1], while the pandemic showed all the fragilities of the EU development models as it was deepening social gaps and segmenting the labour market[2]. Short-sighted fiscal and macroeconomic rules of the SGP undermined the resilience of the EU economy, social and health systems. It means that the recovery phase, even in a situation of sustained growth, may not be able to eliminate disparities and inefficiencies in the internal market and may lead to higher inequalities or social fractures that would divide the EU and its population in winner and looser. This has to be avoided having a reliable mapping of social risks threatening the recovery phase.

In this regard, **it is important that the EU will finally fill the investment gap estimated in €430 billion per year only for the green transition**. The RRF is finally delivering and member states are receiving the first tranches of resources (€50 billion in favour of 9 countries) to activate their investment projects. In this regard the ETUC asks **the EU Commission to be vigilant that the RRF and the MFF will generate a real gain in net public investments in each single member state**. In this regard, the fiscal rules should not prevent member states with higher debts to integrate the EU investment effort with own resources, especially to empower a just-transition approach. It is important that such vigilance is done in a way that green and social objectives mutually support each other promoting a concept of just transition and job creation.

The resurgence of inflation should be monitored and it exercises pressure on wage earners. The inflation rate is now around the 2% target of the ECB. The ETUC tends to share the view of those that consider the resurgence of inflation a temporary effect that should not endanger the sustainability of government debts, as far as the ECB and the EU institutions will shelter the debt position of national governments. However, surging inflation trends may pose problems to workers. In particular, to a more granular analysis, the ETUC is worried that the quick soaring of energy and food price and the inflation rates above 3% (as in Germany) or 4% (as in Poland, Hungary, Estonia) can create excessive pressure on purchasing power of wages. Households depending on wage earners can be exposed to difficulties and also poverty and this should be considered in the next European Semester. Wage dynamics must remain positive thanks to revamped collective bargaining institutions and practices. In particular, low-wages have to catch up with inflation and productivity and at levels that drastically reduce in-work poverty in all member states.

The current demographic context requires a strong anti-poverty strategy, and the guarantee for all EU citizens and residents to "age in dignity". Higher public expenditure for social transfer and safety nets to prevent poverty is necessary. Pension systems across Europe have already undergone comprehensive cost-cutting reforms, that have not significantly proposed solutions for public budgets, nor have improved pension adequacy for retirees. The pandemic proved how insufficient and ineffective the public expenditure has been for health and long terms care for decades. The contrast to the possible downturns of an ageing population cannot prescind from the implementation of the EPSR and the pursuit of its social targets. Increasing public expenditure according to demographic projections is necessary to satisfy the rights and the needs of present and

[1] See RETHINKING 2021 Session 6, in particular Rolph Van Der Hoeven.

[2] See RETHINKING session 2, in particular Anne Juliette Lecourt

future elderly people. The sustainability of adequate pensions to all generations is achievable through better labour market integration of people of working age, in quality jobs. Evidence[3] shows that achieving a level of employment integration that already exists in the best performing EU Member States in EU 27 would reduce the expected future increase of the 'economic dependency ratio' over the 2019 to 2070 period to less than one third.

Social partner's involvement in social protection reforms at national level, including those to be funded by the NRRPs and the ESIFs, **must be enhanced**, especially in a context of old age unmet needs, raising inequalities for certain age groups (namely young and elderly), uncertainties for the future of an ageing workforce. With the European Agreement on active ageing and intergenerational approach, social partners play a crucial role in enhancing a sustainable life-cycle approach to work, including an intergenerational perspective. In spite of the results that are achieved by national SPs in increasing chances for a healthy life in employment of 50+, the strategic involvement of social partners in reform design is very rare, or ineffective, or merely formal.

The implementation of the RRF should give a greater impulse to social partners involvement in the EU Semester and in the implementation of NRRPs. The ETUC alerts that to build a full narrative of upward convergence of working and living conditions in Europe, indicators cannot replace, but can eventually integrate, a solid dialogue between the policy makers and the social partners. Unfortunately, social partners' involvement was sporadic, fragmented and almost never do NRRPs treat social partners as co-regulator of the labour market and work conditions at the workplace. The ETUC remarks that the NRRPs analysis from the EU Commission checks if social partners have been heard together with other stakeholders but is unable to understand if such stakeholders have a role to play in the implementation of the NRRPs and if social partners will be able to contribute. The next EU Semester should remedy this, because without the social partners, the greatest part of economic and social reforms in the NRRPs will likely fail.

The fight against poverty should be a priority of the Semester 2022 and the Porto poverty targets should be better detailed at EU level. The 2019 data used to set the Porto target underestimate the poverty rates because statistics do not factor in the effects of the pandemic crisis on some population groups. We are aware that, unfortunately, the pandemic crisis will lead to much higher and dramatic poverty rates in the EU especially among households depending on low-skilled wage-earners, workers earning the minimum wage, single women with children, workers with migrant background, and households with low work intensity. This requires an additional effort to increase granularity in data collection, identification of groups at risk and designing the correct policy response. The ETUC thinks that poverty needs an action plan that addresses all aspects of poverty, including in-work poverty.

A closer dialogue with trade unions will improve the capacity of the EU Semester to detect social risks and take into account the pandemic divergent employment effects across industries and long-term unemployment must be minimised as much as possible. The fiscal and macroeconomic position of member states have to be assessed against the contribution of each single member states wants to offer to the achievement of Porto's targets on employment, poverty and education/training. The EU coordination should help the definition of specific policies aimed at ensuring progress already this year, having in mind the need to tackle social risks that should now be better detected thanks to the new Social Scoreboard. However, the adoption of the new headline indicators is a step forward

[3] https://spa1.etuc.org/2021/08/23/the-impact-of-labour-markets-on-economic-dependency-ratios-and-on-pension-adequacy-and-sustainability/

but insufficient because the full picture of social risks that the EU and member states have to address (also thanks to social country-specific-recommendations) need the secondary indicators to play a role. Semester 2022 should give way to a **social imbalance procedure** to engage member states in removing social shortages identified in the EU Semester and have sufficient fiscal space to activate investments, reforms and policy framework that trigger upward convergence of working and living conditions as envisaged in the conclusions of the Porto Social Summit in May 2021.

Macroeconomic outlook, Fiscal measures and Euro Area Recommendations

The economic outlook for the years to come is still very dependent on the state of the pandemic. However, as vaccination campaigns are developing, the economic situation is being positively affected. Since Spring 2021, the European Commission has revised its main growth forecast both for the euro area and the European Union, for 2021 from 4.3% and 4.2% respectively to 4.8% and for 2022 from 4.4% to 4.5%. Inflation has also been revised, upward for the year 2021, and downward for the year 2022 (see table 1). This is consistent with the views expressed by the European Central Bank (ECB) stating that the recent upswing in inflation in the euro area is due to idiosyncratic factors such as the end of temporary VAT rate reduction in Germany or higher energy price inflation[4]. If the inflation rate surges as a hypothetical consequence of a post-Covid recovery, major Central Banks have given indications that they could allow, for some years, a situation where inflation would exceed their usual 2% target without raising their key short-term interest rates. The US Federal Reserve have already stated this by adopting an average inflation targeting framework that allows for higher inflation offsetting prior underperformance[5]. The ECB has made a similar move by recently adopting a symmetric 2% inflation target over the medium term as part of its new monetary policy strategy[6].

Economic activity has been recovering in recent months, picking up the pace throughout the second quarter. In the second quarter of 2021, seasonally adjusted GDP increased by 2.0% in the euro area and by 1.9% in the EU, compared with the previous quarter, according to the most recent flash estimate published by Eurostat. The number of employed persons increased by 0.5% in the euro area and by 0.6% in the EU in the second quarter of 2021, compared with the previous quarter (Figures 1 and 2). These are the flash estimates and are still subject to changes. However, labour market participation, employment rates and worked hours are still below pre-pandemic times and far from the EU targets.

Nonetheless, the massive impact of the Covid-19 pandemic and the attempts to mitigate its social and economic effects have led to significant increases in government deficits and debt levels in a number of Member States[7] (Figure 3). Consequently, debt to GDP ratios have increased very quickly, but interest charges as shares of GDP have continued their decreasing trends, although GDP experienced a huge

[4] C. Lagarde and L. de Guindos (2011) "Introductory statement to the press conference", 11 March, ECB.

[5] J. H. Powell (2020), "New Economic Challenges and the Fed's Monetary Policy Review", speech at the Jackson Hole annual conference.

[6] "The ECB's monetary policy strategy statement", July 2021.

[7] "The average cyclically adjusted primary deficit of advanced economies jumped to 7.6 percent of GDP in 2020. The United States provided assistance equivalent to 16.7 percent of GDP in 2020 to households, firms, and state and local governments. Japan and the United Kingdom provided 15.9 percent and 13 percent, respectively, of GDP of above-the-budget-line support in 2020. Similarly, national fiscal policies in the euro area (totaling more than 5 percent of the region's GDP) and sizable automatic stabilizers (amounting to about 5 percent of GDP) have provided critical support for workers and firms", in IMF Fiscal Monitor April 2021. See also figure 5.

drop in 2020 (Figures 4 and 5). Given the active support of the European Central Bank, through its quantitative easing programme, the Pandemic Emergency Purchase Programme (PEPP) (figure 6), and the activation of the General Escape Clause of the Stability and Growth Pact, interest rates on sovereigns remain low while growth expectations are set at higher rates, despite reported delays in input delivery due to disruptions in supply chains that suggest some speed limits to the growth momentum in certain sectors, Nominal yields are currently negative over large portions of the yield curve for the euro area in Member States as a whole (Figures 7) as aggregated by Eurostat. As of August 2021, German yields were negative for maturities up to 30 years, French yields for maturities up to 12 years, and Spanish yields for maturities up to 8 years, and Italian yields are below 1 percent for maturities up to 15 years and converge to less than 2 percent at 30 years[8].

The fiscal stance, stemming from national budgets and the EU budget, has to remain supportive in almost all Member States as it will be in 2021 and 2022 on average (Figures 8). The RRF will provide financial support to Member States of up to €312.5 billion in grants and €360 billion in loans in the period to 2026. Headline deficits are expected to remain markedly above pre-pandemic levels (figure 9). In 2022, deficits are set to decline sharply, as the economic recovery strengthens, and the temporary measures put in place during the pandemic are scaled back. Overall, the EU's headline deficit is projected to increase to 7.5% of GDP in 2021 and decrease to 3.7% of GDP in 2022, according to the Commission 2021 forecast. The Stability and Convergence Programmes (SCPs), which reflect Member States' plans, envisage a slightly higher aggregate deficit of 8% of GDP in 2021 and 4% in 2022. More than half of Member States will remain above the Treaty's 3% of GDP threshold in 2022[9].

However, both the IMF[10] and the European Commission[11] state that debt to GDP ratios should stabilise in the short to medium term, thanks to low interest rates and increased growth rates. Both institutions share the same assessment and prevent against a too rapid withdrawal of EU and national fiscal support measures[12], the IMF even arguing for a fiscal stimulus package for advanced economies, with positive effect on growth and debt to GDP levels (figure 10).

Therefore, while the ETUC welcomed the various fiscal and monetary measures taken to mitigate the effects and the pandemic and to support the socio-ecological

[8] World Government Bonds database.

[9] The 2021 Stability & Convergence Programmes, An Overview, with an Assessment of the Euro Area Fiscal Stance, European Commission, July 2021.

[10] "Favourable interest–growth differentials and projected fiscal adjustment plans—likely to occur at a faster pace than projected before the pandemic— are expected to stabilise the debt-to-GDP ratios in most advanced economies over the medium term", in IMF Fiscal Monitor Reports, April 2021.

[11] "Importantly, such interventions [i.e ECB policy], together with decisive EU actions in 2020 [i.e SURE, NGEU/RRF and the ESM PCS], contributed to stabilising sovereign financing conditions, lessening risks of short-term fiscal stress"; "Favourable snowball effects should allow a progressive reduction of the aggregate debt ratio, despite primary deficits (…) favourable interest rate – growth rate differentials (snowball effects) are expected to more than compensate for the positive contribution from the primary deficits towards the end of the projection period, and allow a progressive reduction of the debt ratio.", in Debt Sustainability Monitor, European Commission, February 2021; "While fiscal stances differ significantly across Member States, the projected aggregate fiscal stance in 2022 appears broadly appropriate.", in The 2021 Stability & Convergence Programmes, An Overview, with an Assessment of the Euro Area Fiscal Stance, European Commission, July 2021.

[12] "In this context, the needed fiscal support should be primarily achieved by accelerating investments (and reforms) financed by the RRF and by preserving nationally-financed public investments" and "A tightening of Member States' fiscal positions in their 2022 budgets might lead to a contractionary stance, while a premature withdrawal of fiscal support should be avoided", in The 2021 Stability & Convergence Programmes, An Overview, with an Assessment of the Euro Area Fiscal Stance, European Commission, July 2021.

transformation of our economy, guaranteeing full employment, high quality jobs and just transitions, we still see the need and the possibility to continue supporting the economy through favourable fiscal policies, with positive result on growth and without endangering debt sustainability. The pandemic has had disproportionately adverse effects on poor people, youth, women, minorities, and workers in low-paying jobs and the informal sector and we urge the European Commission to continue assessing the differentiated impacts of the crisis especially on these groups, ensuring the coverage of social safety nets and increasing social transfers favouring social and tax justice and just transitions, also by a swift implementation of international agreements against tax avoidance and tax competition.

Finally, the ETUC urges the Commission to resume debates and discussions following the launching of its consultation on EU Economic Governance in February 2020, for reforming the Stability and Growth Pact and subsequent legislation to prevent a return to austerity with great detrimental economic and social effects, protect and strengthen public investment and provide flexible and country-specific debt adjustment paths. The ETUC also asks the Commission to put forward country-specific guidelines for transition periods until its full implementation, during which time no excessive deficit procedure should be activated and with the possibility to use the "unusual event clause" on a country specific basis.

The fall in economic activity in the first quarter of this year was accompanied by a small drop in employment. In the EU, the number of employed persons declined by 0.2% q-o-q, reversing about half of the previous quarter's net job creation. Total hours worked fell by the same amount, leaving average hours worked unchanged (Figure 11). In the euro area, the decline in headcount employment and total hours worked was slightly more pronounced, at -0.3% and -0.8%, respectively. The number of unemployed slightly decreased in both the EU and the euro area in the first months of this year. The unemployment rate in the EU was 7.3% in April (8% in the euro area). At the same time, the job vacancy rate has steadily increased from its trough in 2020-Q2 to 1.9% in the first quarter of this year, still below the 2.1% seen in 2019-Q4. Overall, the number of employed persons in the EU in the first quarter of this year was about 4 million (or about 1.7%) shy of its level in the fourth quarter of 2019 while labour market slacks remain higher than before the pandemic (Figure 12). A large number of people exited the labour market (especially women), as the number of unemployed persons in April exceeded its average in 2019-Q4 by some 1.3 million and still above its pre-pandemic level (Figure 13). In addition, total hours worked and average hours worked per person remain well below their pre-crisis levels. In particular, hours worked per employed person in contact-intensive sectors, which also bore the brunt of job destruction (about 4 out of 5 employment losses come from these sectors), remained nearly 10% below its pre-pandemic level[13].

However, in August 2021, employment growth remained at a 21-year high for the second month in a row as businesses increased staffing to meet expanding order books. Eurozone business activity expanded at nearly its fastest pace for 15 years in August according to a widely watched survey that indicated the bloc is on course for strong third-quarter growth (Figure 14).

Figures regarding public investment are more worrisome. Although public investment (financed by both national sources and RRF grants) is forecast to increase from 3.0% of

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[13] European Economic Forecast, Summer 2021, European Commission. For a forecast on employment perspectives (hours worked, persons employed, by social groups, by sectors…) and policy recommendations under different scenario see S. Jestl & R. Stehrer (2021) "EU employment dynamics: the pandemic years and beyond ", ETUI Working Paper 2021.09, Brussels, ETUI Publishing.

GDP in 2019 to 3.5% of GDP in 2021 and 2022 each, according to the Commission 2021 spring forecast. This level is just reaching the share of public investment before the Great Financial Crisis of 2008/2009, without European support at this time (Figures 15). Indeed, comparing the average government investment rate of 2015-2019 with the pre-crisis average (2005-2009) 20 out of 27 Member States saw their rate decline, for some by as much as 50%[14], to such an extent that the value of the stock of public capital, marked by negative net public investment, deteriorated between 2013 and 2017 in the euro area. For Europe to meet its 2030 climate and environmental targets, the European Commission recently estimated the overall funding gap to be around EUR 470 billion a year until 2030[15]. However, gross fixed capital formation in Q2 2020 was still an important impediment to growth (Figure 16). As rightly emphasised "mobilising the necessary scale of finance will be a significant policy challenge", and clearly public investment will have a critical role to play, not least also in order to trigger private investment. The reform of the EU fiscal framework has to take these considerations into account.

Finally, a look at **wage shares developments at current factor costs** show a peak at the beginning of the crisis follow by a sharp decrease below pre-pandemic level (Figure 16). Such developments are not welcome, since it means that the recent recovery is not shared equally between labour and capital.

SUSTAINABILITY OUTLOOK – BUILDING A "BEYOND-GDP" GOVERNANCE OF THE EU

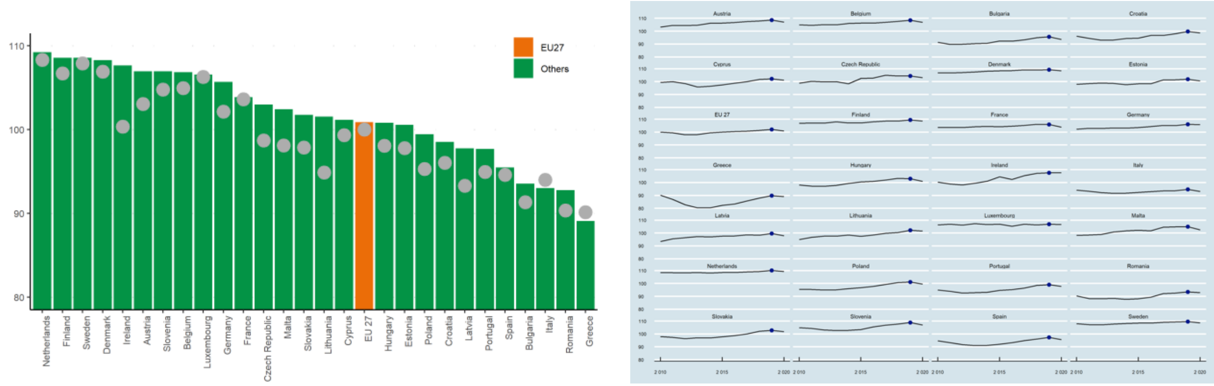


Figura 1: #EU_SDG8 index: composite indicator of sustainable growth and decent work (2010-2020)

It is time to Rethink our recovery model introducing new indicators that better catch the sustainability of the economic and social model of the EU. The OECD is also working in this direction[16]. European Social Partners have agreed on a narrative and a set of indicators that should complement GDP to better catch environmental, social and economic progress. The ETUC has built a set of composite indicators to monitor and orientate policy making in order to increase the sustainability potential of the EU and of its member states.

The *Sustainable Growth and Decent Work index* of the ETUC shows that the EU is averagely far from unleashing its sustainability potential (#EU_SDG8 index, ranging from 70 to 130)**.** This is due to a structural delay in the employment and decent work agenda that slowed down the green and digital transformation. Reinforcing fairness aspects of

[14] European Fiscal Board (2019): "Assessment of EU fiscal rules. With a focus on six and two-pack legislation".
[15] Commission Staff Working Document (2020), "Identifying Europe's recovery needs - Identifying Europe's recovery needs", SWD (2020) 98 final.
[16] See RETHINKING 2021 Session 1.

transitions will speed up the implementation of investments under the EU Recovery plan and will more likely achieve the productivity gains that are necessary to achieve a greener advanced economy with job-rich and quality work recovery. Compared to 2019 results it is becoming evident that the COVID-19 crisis has reversed a lot of the progress made during the last decade. The #EU_SDG8 index shows with statistical evidence the decline anticipated during the RETHNKING session in July 2020.

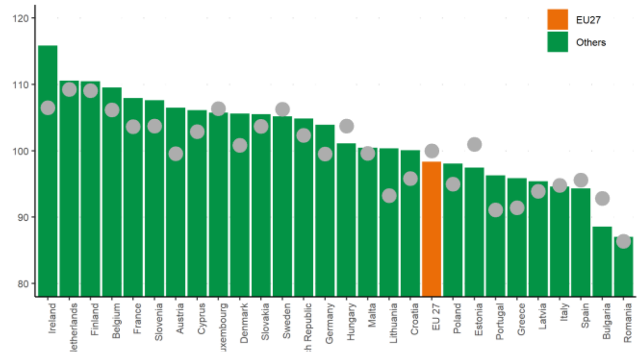


Figura 2: #EU_SDG8 index, Economic well-being 2010-2020

1. **Performances of member states under the Economic well-being indicators deteriorate mostly because of abrupt GDP losses that were hardly mitigated by social transfers and subsidies for workers, the self-employed and enterprises**. As Figure 2 documents, Ireland has ascended the economic well-being performance thanks to an increase of GDP determined by exports of big multinationals. This hides a decline in internal consumption and investments which is kept by the GNI per capita performance instead. Indeed, Irish performances under the other two #EU_SDG8 sub-composites remain less spectacular. Losses in GDP are at the origin of the poor performance in 2020 but it remains astonishing as the last decade saw too many member states underperforming in terms of economic wellbeing because of rising inequalities, low participation of women in apical positions, lack of opportunity for young generations and difficulties in eradicating poverty. Average inequality in EU27 remain higher than in 2010 and negatively affecting countries with strong social models (such as Scandinavian countries). Low wages, people at risk of poverty and rate of women in apical positions are also at the origin of low performance in the Economic Well-Being indicator. These results are in line with the lack of upward convergence of working and living conditions as results in many indicators observed by the social scoreboard of the EU.

Progresses made in the last decade to improve quality of employment and inclusiveness of the labour market were undone almost everywhere in Europe. The sub-composite in figure 3 shows the effects of the pandemic on the labour market. We may aspect that the situation will worsen in 2021 to improve with the materialisation of the economic recovery even if many uncertainties remain on the capacity of the revamped economic growth to produce new quality jobs. The sector dimension is estimated to be relevant. Surely job creation will not restore pre-crisis job positions but there will be a redistribution of jobs between economic sectors, population groups and geo areas that exacerbate social risks. Labour market policies are crucial to protect workers and create efficiency in the allocation of new jobs. Immediate action is needed to make progress toward the Porto headline indicators.

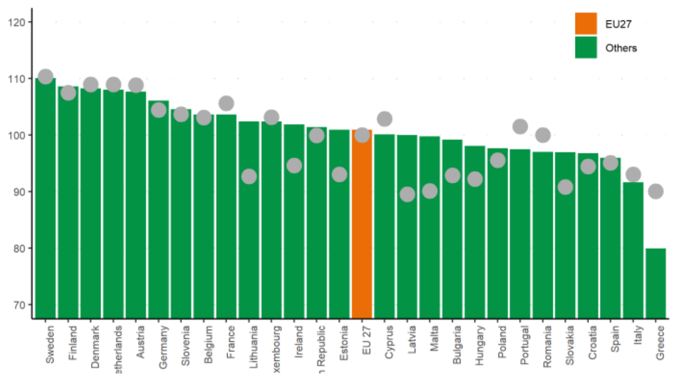


Figura 3: #EU_SDG8 index, employment quality and inclusiveness, 2010-2020)

This is while workers' vulnerability remains a factor of risk for the sustainability of the EU economy. Conditions of poverty among elderly people, lack of opportunity for young generations and gender based discriminations remain a burden on the sustainability potential of many member states. Accidents at work will likely diminish because of reduced numbers of hours worked but the repercussions on the safety of workplaces are still a stigma on the EU development model. The contagion experienced by vulnerable workers during the pandemic show how the health of workers is negatively correlated to their more precarious position, and to a lower position in the wage scale. Poverty among elderly people (countries like Italy, Spain and Germany are above 20%) show vulnerability during working lives. The EPSR action plan only partially addresses the issue of vulnerability of workers. A specific action is needed to neutralise risks, and remove dangers that make EU workers excessively vulnerable.

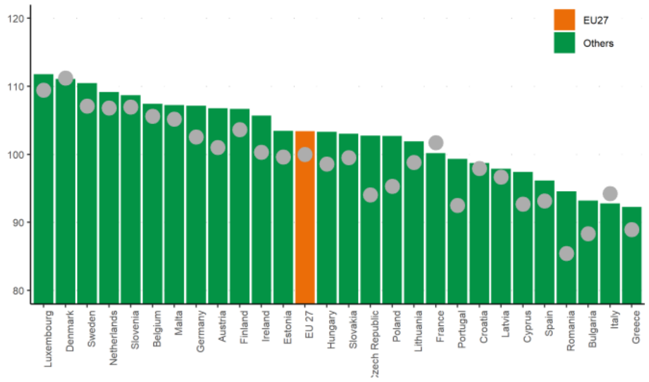


Figura 4: #EU_SDG8 index: Workers' vulnerability

Growth and job creation in Europe can still be at odds with the achievement of the green agenda, however some countries and economc sectors are showing the way ahead creating a positive correlation between economic expansion, job creation and reduced environmental impact (See also environmental and just transition outlook). Such aspects were addressed in detail in the ETUC inputs for national Recovery and Resilience Plans. The RRF is crucial to convert the EU economy to fight climate change and reduce environmental impact. While the RRF implementation should be monitored together with social partners to catch the just transition needs, the NRRP alone cannot fulfil the needs of the European workforce to go through the green transition. The EU Semester should help allocating structural funds in a way that they are complementary to the NRRPs to provide skills and activation measures for workers in order to ensure continuation of employment or quicker transitions to new jobs and shelter those that are hit by the green transition.

The ETUC inputs for NRRPs also showed how a SDG8-centred approach would support the digital transformation creating a positive correlation between #EU_SDG8 index and the DESI indicators. The next semester should take into account that this correlation is stronger for countries that are both late in the sustainability agenda and late in the modernisation of their economies. Investments in decent work can help speed up the digitalisation agenda so it is important that strong protections are established for workers engaged in platform workers or the digital economy as in the big web companies.

In this regard the narrative proposed by social partners in their joint Statement Supplementing GDP as welfare measure provides a relevant framework to have a well-being approach based on the 3 dimensions of the sustaibaility agenda economic, social and environmental (link).

The ETUC considers that it is time to make the UN2030 agenda an overarching strategy shaping the investment strategy of the EU. It means that new narratives and new metrics have to be elaborated to establish what makes the EU economy stable, job-rich, devoted to social progress and conducive to a productive fabric that is fully compatible with the environmental constraints. The sustainability pattern of member states has to be measured on the capacity to ensure economic well-being, to increase jobs and quality of employment and inclusive labour market, to identify and remove factors of vulnerability of workers. The ETUC #EU_SDG8 index (link) offers in a composite indexes the start position of member states. ETUC reporting in November will point out policy proposals to set, country-by-country the economic and social policy on sustainability, resilience and fairness.

The sustainability agenda should be driven by a reinforced commitment to promote sustainable growth, full employment and decent work. In this regards the ETUC wants to attract attention to the fact that the EC analysis of the recovery and resilience plans focuses on the advancement on the SDGs using Goal 8 as a conjunction ring between Digital transition, Fairness and Macroeconomic stability. While the SDG8 is not yet in positive correlation with the Green Transition. This message is quite compatible with the conclusions drawn from the ETUC's SDG8-centred approach to development. This SDG8-centred approach should be reinforced during the next EU Semester and become a real compass to select and prioritise investments under the RRF and also orientate the EU framework for sustainable investments so that the private sector could also align to the objectives of public investments. Social dialogue should be considered an asset for a policy approach that promotes a holistic approach to sustainability.

Workers are often worried by technological advancement and the spreading of Artificial Intelligence as it is able to make many intellectual activities obsolete. There is a lack of trust in the fact that productivity gains will be equally distribute among productive factors and polarisation of wages will impoverish households depending from wage earners. If investments have to ensure net job creation, the employment policies should reinforce quality of work in digitalised workplaces having in mind at least the following 3 points:

- Working time erodes leisure time, an increasing part of people feel that working time covers leisure time and this happens mostly among young workers that are digital natives.
- An increasing number of workers feel at mercy of technology at work. They feel their jobs depend on technology.
- Meaningfulness of work influences the working experience. Workers feeling that they are influent in their jobs also the technology is perceived like increasing the attractiveness of their job.

The JER should help identify a policy mix that, in the framework of the digital transition, protect health of workers, balance work and leisure time, improves work-life balance and ensure professional careers to warrant a motivated workforce for a sustainable economy.

Several surveys report an increasing demand for social justice among people, current social transfers and taxation arrangements are perceived as a source of economic unfairness. The European Commission should continue assessing the differentiated impacts of the crisis especially on vulnerable groups, ensuring the coverage of social safety nets and increasing social transfers favouring social and tax justice and just transitions, also by a swift implementation of international agreements against tax avoidance and tax competition.

The democratic reinforcement of national and European institutions is a key element of the sustainability agenda. In this regard, we are profoundly convinced that the economy cannot thrive, and a national socio-economic model cannot be reliable if it is not able to preserve the freedom and dignity of every single person living in its territory and communities.

Countries that discriminate and cannot understand the value of diversity are countries that are doomed to social backwardness that will inevitably stop the smooth development and progress of that community. As part of the EU community, countries hold an additional responsibility to share the destiny of a wider community. The ETUC asks that the rule of law be monitored in the EU Semester and all instruments used to ensure that all member states are aligned to the EU rule-of-law requirements.

IMPLEMENTING THE EPSR

The ETUC would like to stress that the next Semester phase should give legs to the Action Plan Implementing the European Pillar of Social Rights (EPSR Action Plan) as endorsed in Porto by all EU institutions and Members States. In this regard the implementation of the RRF is crucial. Currently, the EU has disbursed 50 billion Euro to 9 countries. The ETUC welcomes the speediness with which the EU is implementing the RRF but is also worried by the fact that some bottlenecks may delay the full allocation of resources for investments. Such bottlenecks can be identified in concerns on the debt position of member states, capacity of governments to allocate huge amounts of resources for investments in a relatively short time lapse, the rise of populistic forces that are reluctant to embrace objectives that go beyond the electoral cycle, and lack of social dialogue.

Social dialogue can ensure a more effective allocation of resources and the full implementation of the RRF is crucial to create new and quality jobs. Creation of quality jobs means the elaboration of a plan that directs investments in strategic sectors with higher potential of job-creation and simultaneous progress in all 20 principles of the EPSR. Social dialogue is an overwhelming tool to manage such a complexity. The ETUC appreciates the effort made by the European Commission to assess job creation in the evaluation of NRRPs but outcomes are worrisome. To date, the involvement of social partners has varied according to the willingness of national government to commit. The map on the left shows that the greatest majority of ETUC members were not involved or declare that they were unsatisfied with the level of involvement. In the absence of a clear framework for social partner involvement at EU and national levels, it won't be possible to establish a stable and fruitful cooperation between policy makers and social partners, so feeding risks of diverting the EU Recovery plan from its overall social purposes (as for instance social and green objectives envisaged by the RRF Regulation). The TSI is also an instrument that should be bound to social partners involvement when supporting member states to implement policies that are relevant to the economic and social development of the target country.

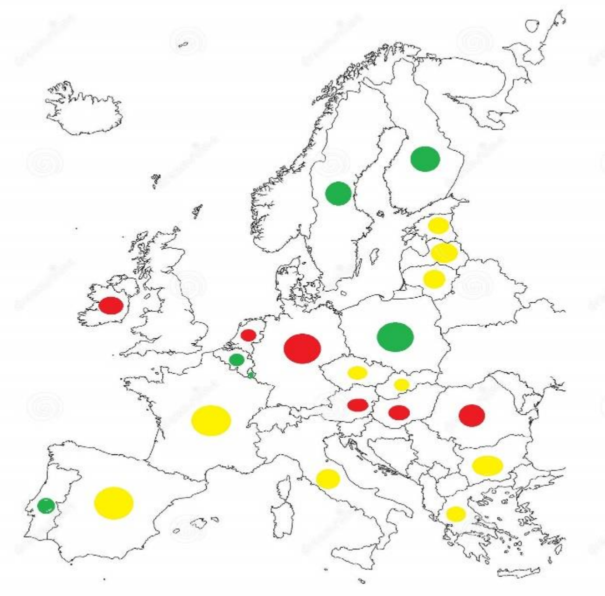


Figure 1: Assessment of Trade Union Involvement in the drafting of NRRPs (based on reporting of ETUC members)

Still, the RRF, also in combination with the MFF, should also boost sustainable growth and productivity so giving room for improvement of working conditions. Productivity gains should come from efficiency generated by new solutions that have less environmental impact or adapt production and workplaces to climate change. It should also come from marketisation of technological and innovative solutions and compensate for the lack of commodities or semi-finished products caused by the breaking of global supply chains. Some sectors, such as tourism, or transport and other services, will be completely redesigned in a post-covid economy (see also inputs for the JER)

2. **Growth and productivity gains need more collective bargaining.** Growth and productivity gains increase trust in the future and give way to innovative and stable collective bargaining, so triggering a shift from "defensive" forms of collective bargaining (aimed at mitigating adverse effects of economic crisis) to more constructive forms of collective bargaining. NRRPs should show governments' willingness to reinforce social dialogue and collective bargaining at all levels, according to national practices and in strict cooperation with European social partners and their national affiliated organisations.

The investment agenda has to be supported by an ambitious social agenda. The Action Plan adopted in Porto addresses many but not all the social challenges that the next EU Semester has to deal with.

Regional disparities (concerning income, wealth, education, health social mobility) are seen as a reason of increasing inequality and unrest among EU people. They cannot be treated as exclusive competence of member states but EU policies should better take into account the effects of EU decisions on regional disparities.

Wage earners may suffer in the upcoming economic phase: Rising inflation may affect the purchasing power of wage earners already impoverished by prolonged stagnation in periods of economic growth. CSRs aimed at reinforcing wage formation remained unattended. The marketisation of digital and technological solutions in the European economy is also polarising wages to the detriment of lower segments of the wage scale. Increasing unemployment levels may also generate downward pressure on wages. Underperformance of wages trends are clearly showed in labour share of GDP, low wage trends, gender pay gaps, and earning gaps between EU regions. This is reflected in the poor performances of many countries under the Well-Being Sub-Composite indicator of the #EU_SDG8 index of the ETUC.

Women's position on the labour market remains a challenge as gender gaps widened during the pandemic[17]. There is a sector effect because women were overrepresented in

[17] See RETHNIKING Session 5.

sectors that were strongly and permanently hit by the COVID Crisis and because the digital and green transition is directing investments in sectors where men are overrepresented. Beside the "sector" factor care giving is also observed as a factor of exclusion of women from the labour market. Not all countries in the EU experience the same worsening of the gender gap showing that, beside the economic structure (for instance weight of tourism and services in the overall economy), the policy mix matters and is able to increase the resilience of women's position in the labour market (legal framework, adequacy of social protection schemes, design of emergency measures). Also the investment strategy should take a gender dimension into account.

Then, **collective bargaining coverage has to be increased, having respect of national systems.** Collective bargaining is key to ensure that in this period of big changes, income and wealth is fairly redistributed. Collective bargaining is not only a wage setting mechanisms. The next semester cycle should promote collective bargaining for the impact it can have on working conditions, working-time organisation, work-life balance, skill development, occupational welfare, protection of jobs, adaptation to climate change, anticipating change and supporting transition. In many countries collective bargaining is also a labour market regulator. All these elements contribute to pursue the social objectives of the EU as set in the RRF and in the CSRs in 2019 and 2020. Collective bargaining factually contributes to the achievement of the EPSR and builds on the SDG8-centred approach to the sustainable development agenda as advocated by the ETUC. While manging the COVID-19 economic consequences, investing in collective bargaining means building a strategic asset for long-standing, fair recovery that will enable a smoother, and thus more effective, transitions toward a greener and digital economy.

In the light of all this, collective bargaining will be key to set immediate adequate and targeted response to it. The Semester 2022, starting from the Autumn Package should promote collective bargaining at all levels together with European and national social partners.

Employment support schemes must remain in the toolbox ready to be prolonged or reactivated if a new pandemic wave materialises. Countries that are not well equipped should be asked to introduce these instruments in cooperation with social partners, adapted to national or regional situations. The European Semester needs to put particular emphasis on the long-term unemployed. This will require particular attention to certain age groups (such as older workers), regions (for instance those reliant on tourism) and workers lacking skills that are likely to be increasingly important in the post pandemic world.

The Employment Headline target adopted in Porto can only be achieved by adopting ambitious targets at national level to include women in the labour market, creating incentives, infrastructures and removing barriers and discriminations. Childcare facilities and adequacy of social protection schemes also have to be designed having in mind the need to increase a stable, qualified women participation in the labour market.

Universal provision and equal access to high-quality public education and training is central to the full realization of the European Pillar of Social Rights, the UN 2030 Agenda for Sustainable Development, and the UN Universal Declaration of Human Rights. It is also imperative for Europe's recovery, and to meet demands for a highly educated and highly skilled workforce. The lasting effect of **severe investment cutbacks** in education throughout the last decade, and the economic shock created by the COVID-19 pandemic, have negatively impacted the working conditions of education personnel, vulnerable and socio-economically disadvantaged people, as well as education and training infrastructures.

Existing inequities are deepened as lower public investment is compensated with a **growing reliance on private sources of funding**. According to the OECD, private funding is steadily increasing in countries such as Italy, Estonia, and Latvia. Whereas moderate increases are persistent across countries and education levels. Policies intended to increase public investment in education, and to reinforce public accountability and non-discriminatory delivery of education as a public good are vital to address issues of fairness for current and future generations, and to boost Europe's overall growth potential. In this light, it is important to safeguard the public provision and governance of education from the influence of private sector investment and actors.

Workers and the unemployed urgently need support not only in accessing upskilling and reskilling training, but also in validating their skills and competences. ETUC welcomes that the EPSR sets a new target that 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. The COVID-19 pandemic, digitalisation and decarbonisation are having an enormous impact on the European workforce. While only 10.8% of adults are reported to participate in learning and training in the EU, the OECD forecasts that by 2030 up to 20 million jobs could be created worldwide due to transformation of tasks and jobs within the green transition of industries, and Cedefop reports that 46.1% of the adult population, approximately 128 million adults in Europe need upskilling and reskilling who are low-skilled or who are medium- or high-skilled but their skills will soon become obsolete. **Innovative and flexible learning pathways that incentivise participation in vocational education and training** (VET), apprenticeship and adult learning should be developed to meet the needs of learners, and to ensure professional mobility for all. Although most education and training institutions are seeking to return to in-presence activities as vaccination rates continue to increase, issues regarding unequal access to distance teaching and learning remain. Full digital literacy of all teachers, trainers and workers should be achieved. To this end, public funding for modern equipment, digital services, and the continuous professional development (CPD) of teachers and trainers, is still to be prioritised.

The implementation of the EPSR should ensure that all workers have the right to employee training, paid educational leave, full qualification, validation of informal and non-formal learning, and guidance and counselling. The target can be achieved if every EU country legislates

a. the right and access to adult learning for all, including the unemployed;
b. right and access to employee training with sustainable investment by the employers;
c. right and access to different types of paid education leave.

In order to reach the target, it is essential to monitor participation and financing of adult learning and employee training provided within and outside of the companies on company-related training needs.

ENVIRONMENTAL AND JUST TRANSITION OUTLOOK

This chapter tries to draw some preliminary consideration from the investigation that the ETUC launched to highlight correlations between the #EU_SDG8 index and some green variables. The ecological indicators are those proposed by the European Social Partners in their common document on indicators that complement the GDP as measure of well-being.

At this stage it is opportune to stress that **ETUC supports the objective of the Fit for 55 package to rapidly reduce the EU's greenhouse gas emissions.** The increasing frequency and intensity of extreme weather events, such as the floods currently affecting some countries in Europe, reminds us of the urgency to act. In that regard, it is fair to say that the Fit for 55 package, as currently proposed, concretely delivers on reaching the 55% emission reduction enshrined in the Climate Law and that has been supported by ETUC.

National Plans allocate huge financial resources to this objective even if for the transition to happen, it needs to be inclusive and socially fair. The burden of the transition should not be supported by low-income households or vulnerable groups and no worker should be left behind in this process. On those aspects, some elements of the Fit for 55 Package remain disappointing, worrying or insufficient.

<u>Greenhouse gas emissions per capita</u>

Linear model estimating the effect of greenhouse gas emissions per capita on SDG8

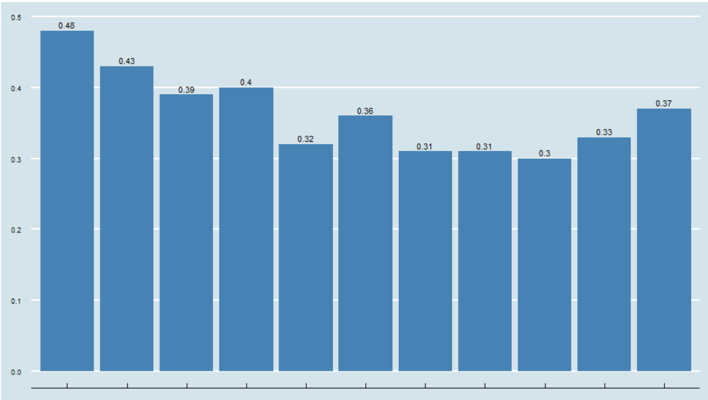


Figure 2:Correlation between SDG8 and greenhouse gas emissions per capita.

Data partially confirms the evidence shown in the ETUC Report providing inputs for NRRPs. Time correlation between EU27 countries and greenhouse gas emissions per capita fell between 2010 and 2018 but in the last two years, there is an increase. This mean that in the last two years the improvements in the SDG8 composite indicator came at the expenses of higher emissions.

Most of the "mature" EU countries are already showing a negative correlation (in some case strong) between the two dimensions, coherently with a development model where economic growth and labour market effectiveness are consistent with a "relatively" low-carbon production system. This seems to be true for Germany, Denmark, Malta, Austria, Sweden and Finland, among others. Other countries, such as Italy, Portugal and the former transition economies of Eastern Europe, are still characterised by a clear trade-off between SDG8 and Environmental/climate issues. While in the last group of countries (eastern European economies) the need to catch up with the level of production and well-being of other European countries can – in the transition phase – lead to a misalignment between the Targets of SDG8 and SDG13, the situation in other countries is more worrying.

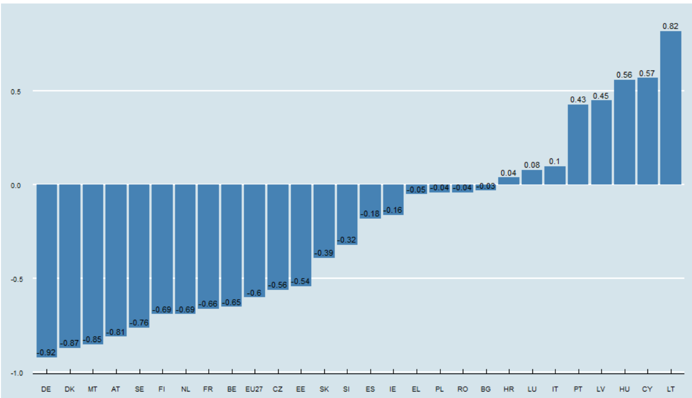
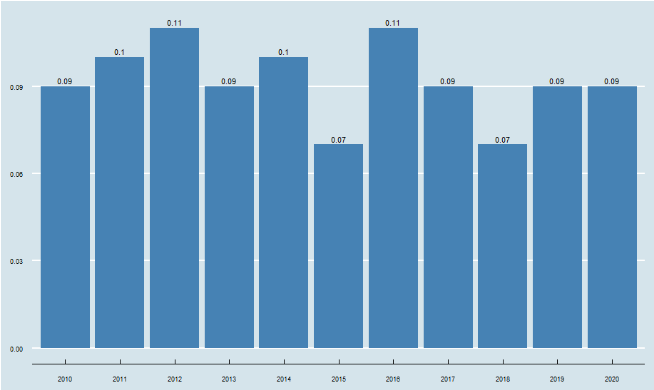


Figure 3: Average countries correlation

Share of energy from renewable sources

Correlation between SDG8 and share of energy from renewable sources. Years 2010 – 2020



Data show no evidence of time correlation between SDG8 and share of energy from renewable sources meaning that between 2010 and 2020 there was no clear trend all countries considered.

Figure 4: Average time correlation

Correlation between SDG8 and share of energy from renewable sources. Years 2010 - 2020

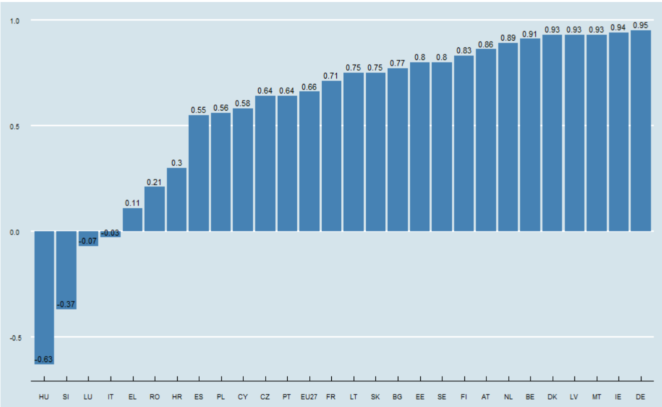
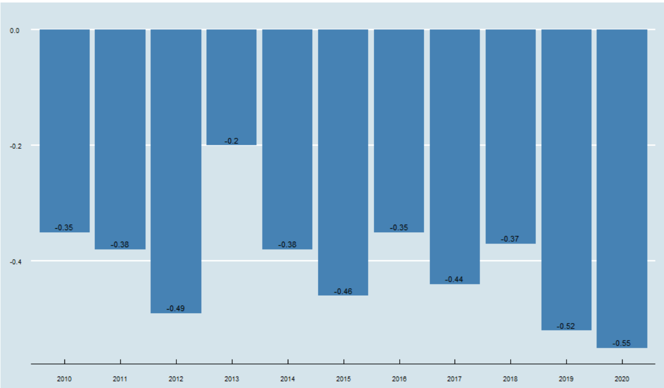


Figure 5: Average countries correlation

Correlation between SDG8 and share of energy from renewable sources at country level shows that for most countries an improvement in SDG8 is linked to a greater use of energy from renewable sources. Nevertheless this is a spurious correlation because, as shown by the model presented later, the use of energy from renewable sources has no effect on SDG8 when controlled by other variables.

Urban population exposure to air pollution by PM2.5

Correlation between SDG8 and urban population exposure to air pollution by PM2.5. Years 2010 – 2020



Data shows a clear negative correlation between SDG8 and urban population exposure to air pollution by PM2.5 meaning that improving SDG8 composite is linked on average to a decrease of urban population exposure to pm 2.5. However historical data shows no clear trend.

Figure 6: Average time correlation

Correlation between SDG8 and urban population exposure to air pollution by PM2.5. Years 2010 – 2020

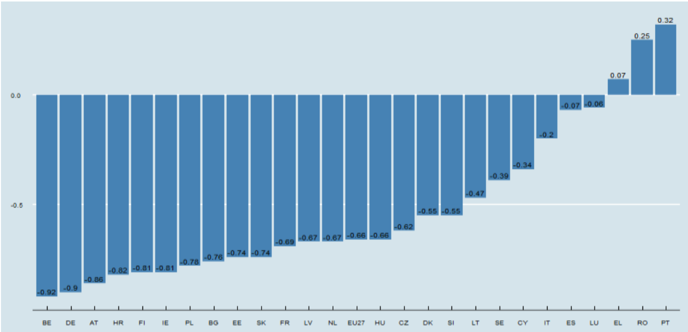


Figure 7: Average countries correlation

At country level there is a clear strong negative correlation between these two indicators. In particular in countries such as Belgium, Germany, Austria, Hungary, Finland and Ireland. The only exception being Romania and Portugal.

<u>Domestic material consumption per capita</u>[18]

Correlation between SDG8 and domestic material consumption per capita. Years 2010 – 2020

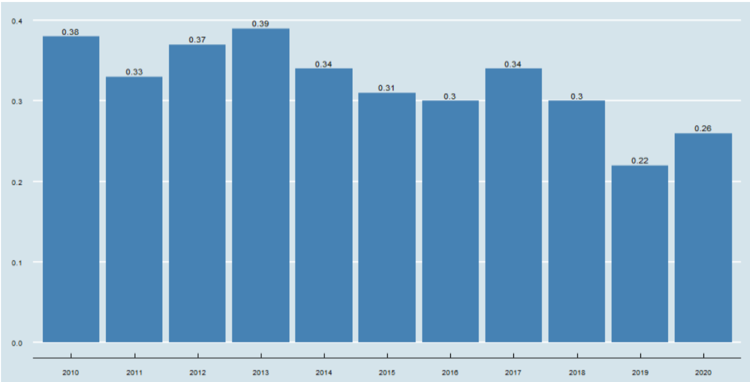


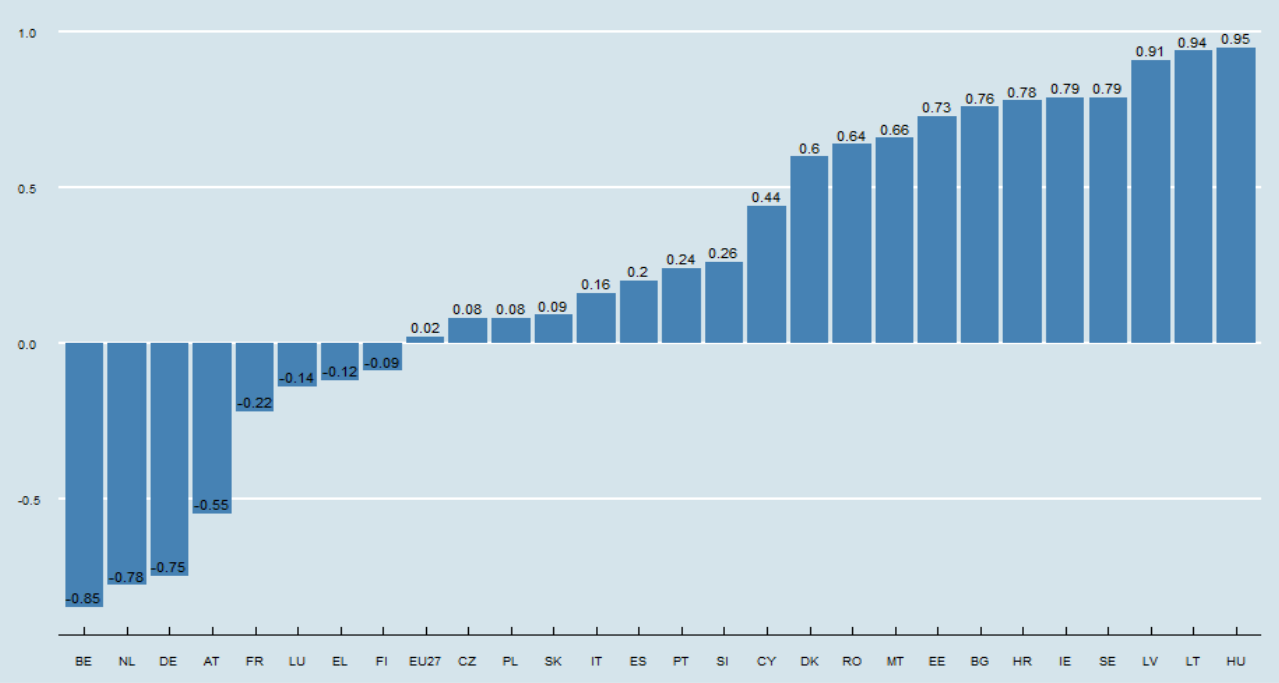
Figure 8: Average time correlation

There is a weak positive correlation between SDG8 and domestic material consumption per capita meaning that we are still far away from decoupling our economies in an efficient way. Moreover, the data shows no clear trend over the years.

[18] The indicator is defined as the total amount of material directly used in an economy and equals direct material input (DMI) minus exports

Correlation between SDG8 and domestic material consumption per capita. Years 2010 - 2020

Average countries correlation



The only countries that show a strong negative correlation between these two indicators are Belgium, Netherlands and Germany while for most of the countries an increase in EU_SDG8 composite indicator is correlated to an increase in domestic material consumption per capita.

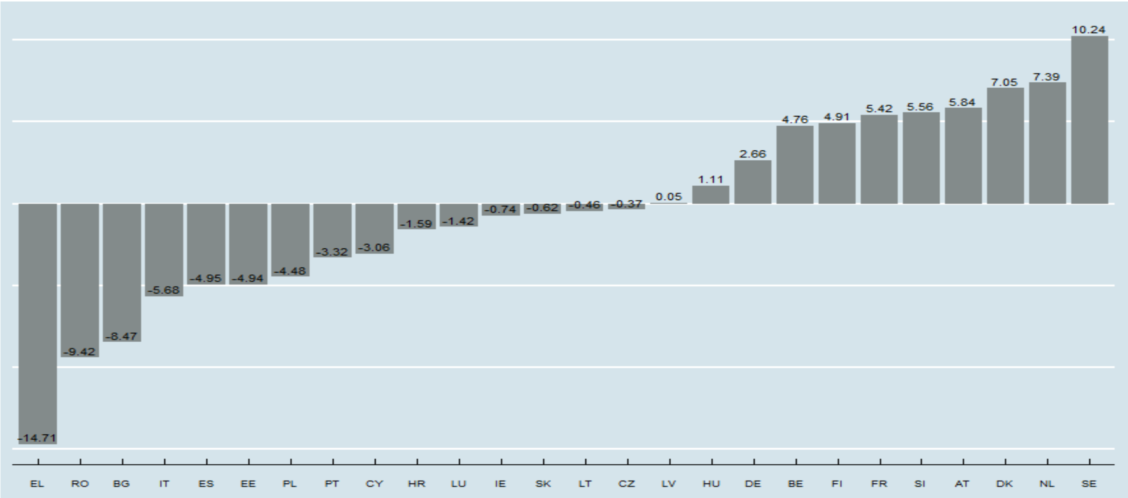
Some key messages can be drawn from these data.

The model shows that averaging out the effects of time and countries one unit increase of SDG8 composite costs +0.37 tons of greenhouse gas emissions per capita and +0.19 tons of domestic material consumption per capita. The model also shows that the effect of share of energy from renewable sources and exposure to air pollution by PM2.5 on SDG8 composite is not statistically significant.

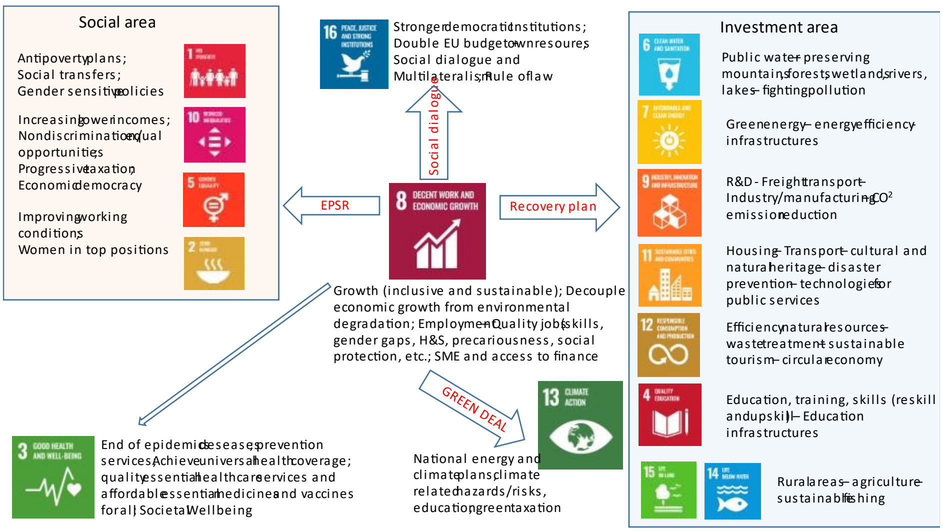
The figure below (Model coefficient of SDG8 per country) shows the differences between the value of SDG8 composite indicator in each country and the EU27 average. These differences are calculated taking into account the effect of all four environmental variables and time. Once we factor in the effect on the environment we see huge differences among countries. Greece is the worst performer with a difference of more 14 points compared to the EU27 average but also Romania, Bulgaria, Italy, Spain, Estonia and Portugal show differences of more than 3 points. The best performers are Denmark, Netherland and Sweden with a positive difference of more than 7 points on the EU27 average.

The RRF and next Semester cycles have to be a "game changer" to convert the EU into an economy that ensures growth, jobs and environmental sustainability. The correlation between the #EU_SD8 and indicators of green sustainability should help identify concrete measures of just transition. Such Just Transition Framework should (1) guarantee that just transition strategies are developed in all sectors and regions through social dialogue and collective bargaining, (2) guarantee workers' right to information, consultation and participation, especially in the event of restructuring processes and decarbonisation plans, (3) guarantee individuals' right to training and workers' participation in the design of training programmes, (4) secure sufficient investments as well as develop industrial strategies to create alternative quality job opportunities.

Fig. 1 – Model coefficient of SDG8 per country



COMPARING SDG8 approach of the European Commission (left side) and the SDG8 Approach of the ETUC (right side)



Figures and tables

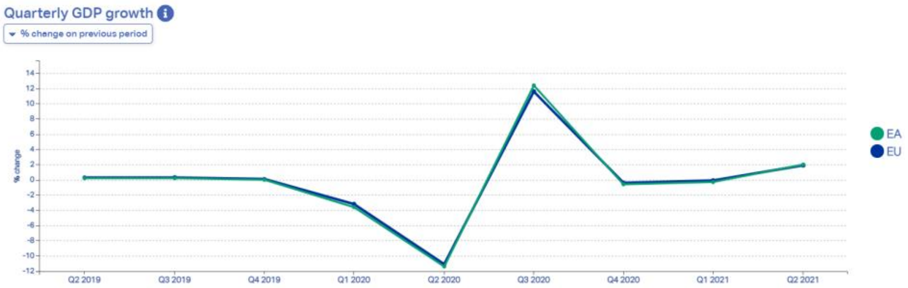
Table 1

Overview - the Summer 2021 interim forecast

	Real GDP growth						Inflation					
	Summer 2021 interim forecast			*Spring 2021 forecast*			Summer 2021 interim forecast			*Spring 2021 forecast*		
	2020	2021	2022	*2020*	*2021*	*2022*	2020	2021	2022	*2020*	*2021*	*2022*
Euro area	-6.5	4.8	4.5	-6.6	4.3	4.4	0.3	1.9	1.4	0.3	1.7	1.3
EU	-6.0	4.8	4.5	-6.1	4.2	4.4	0.7	2.2	1.6	0.7	1.9	1.5

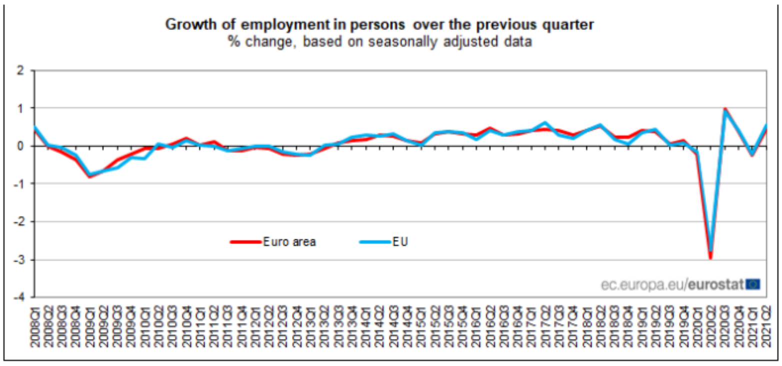
Source: European Commission

Figures 1



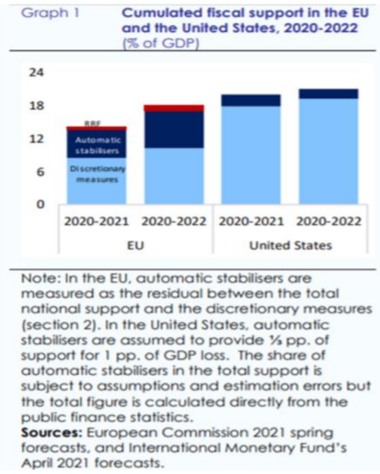
Source: Eurostat

Figure 2



Source: Eurostat

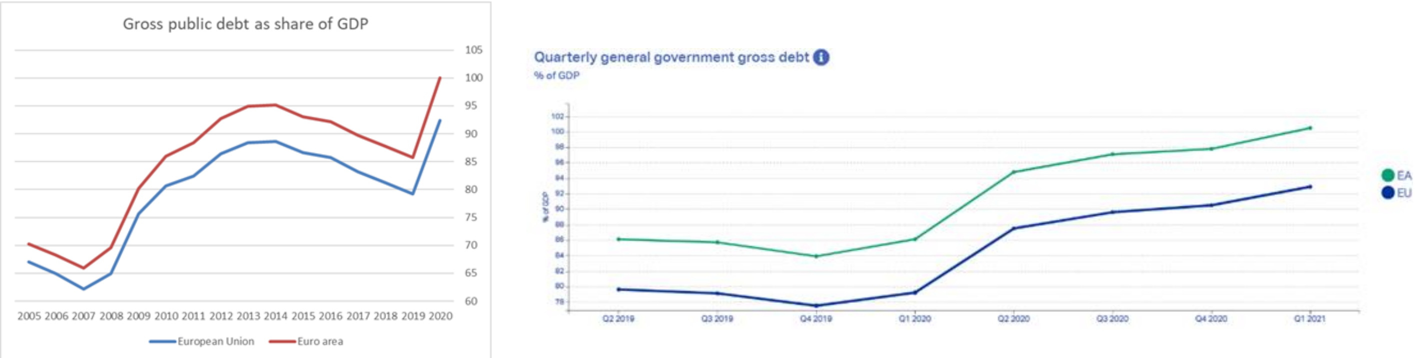
Figure 3



Source: IMF staff estimates.
Note: The baseline has no additional fiscal actions relative to what was deployed in 2020. The benchmark package consists of targeted transfers to low-income households (2 percent and 1.5 percent of GDP for years one and two, respectively), public investment (0.5 percent of GDP for the first two years and declining gradually), and a delayed increase in labor income tax rates for high-income households by 0.5 percentage points at the peak (Online Annex 1.1).

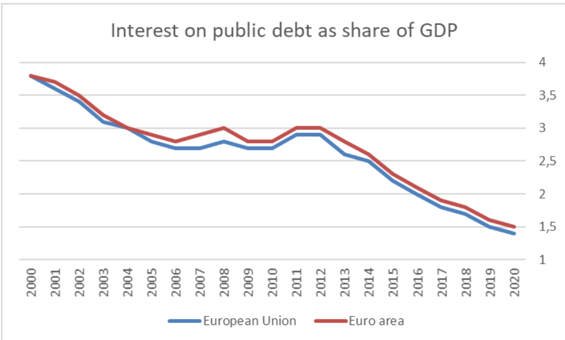
Source: IMF

Figure 4



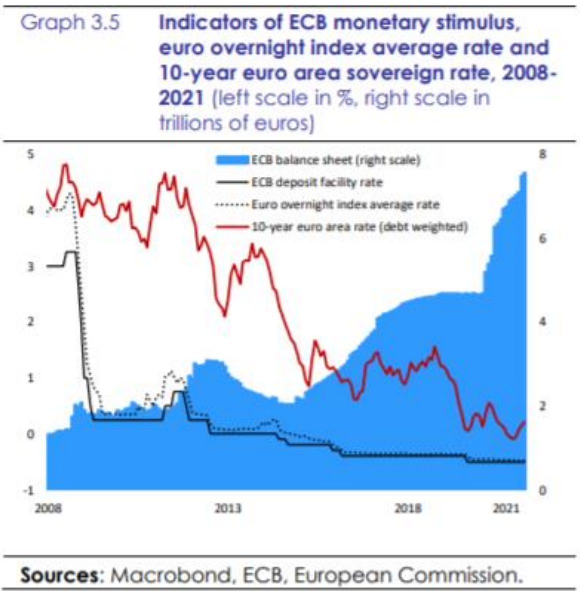
Source: Eurostat & AMECO

Figure 5



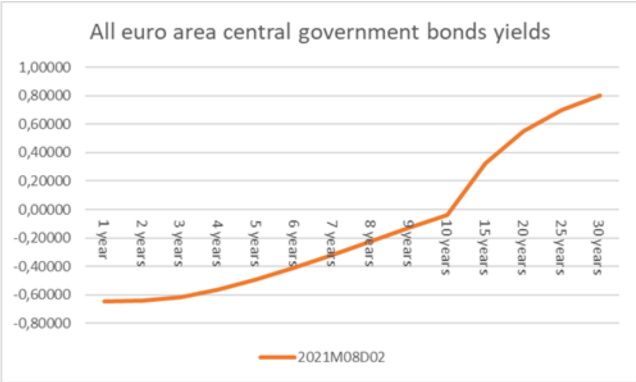
Source: AMECO

Figure 6



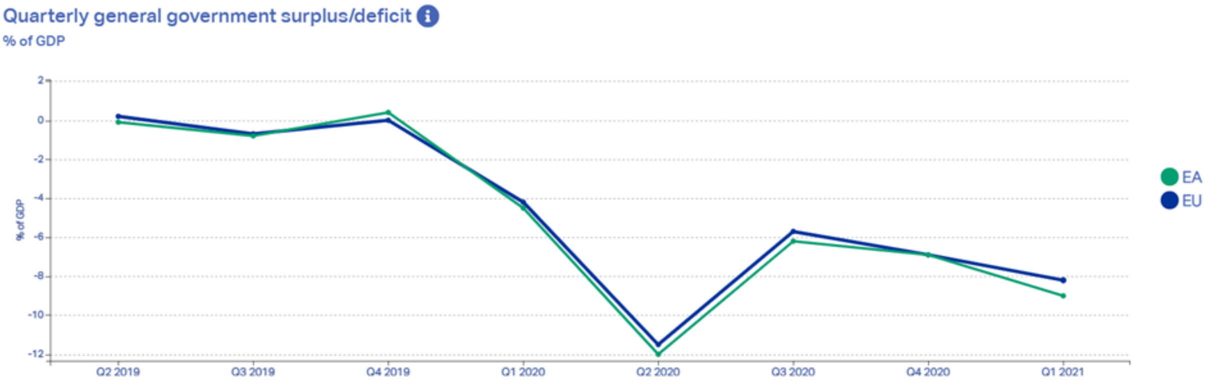
Source: ECB

Figure 7



Source: Eurostat

Figure 8



Source: Eurostat

Figure 9

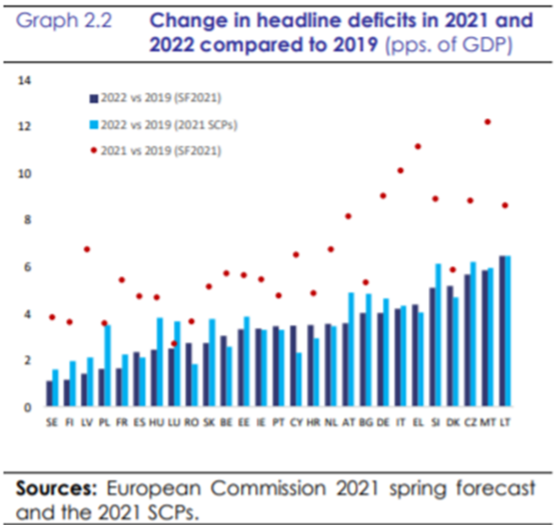
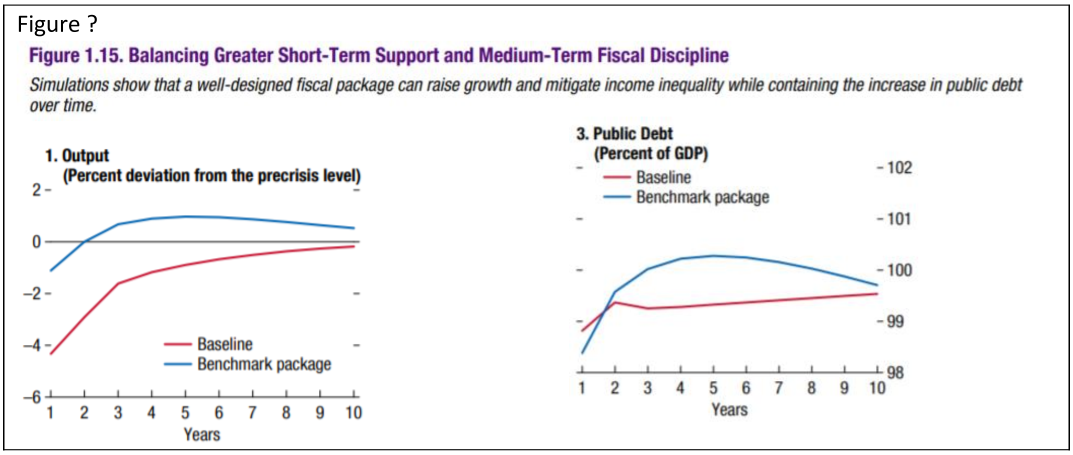
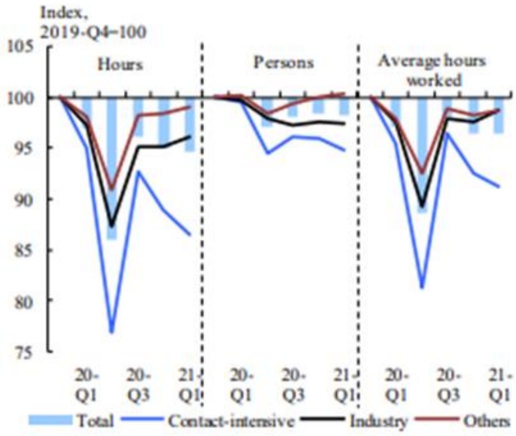


Figure 10



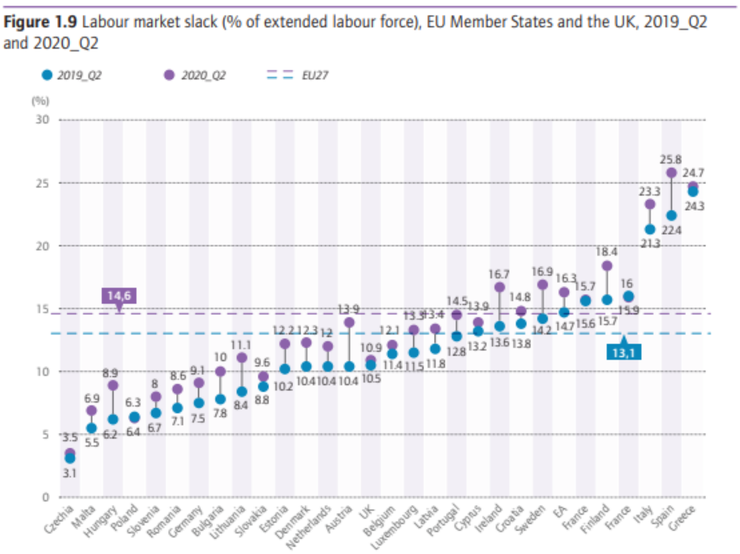
Source: IMF

Figure 11



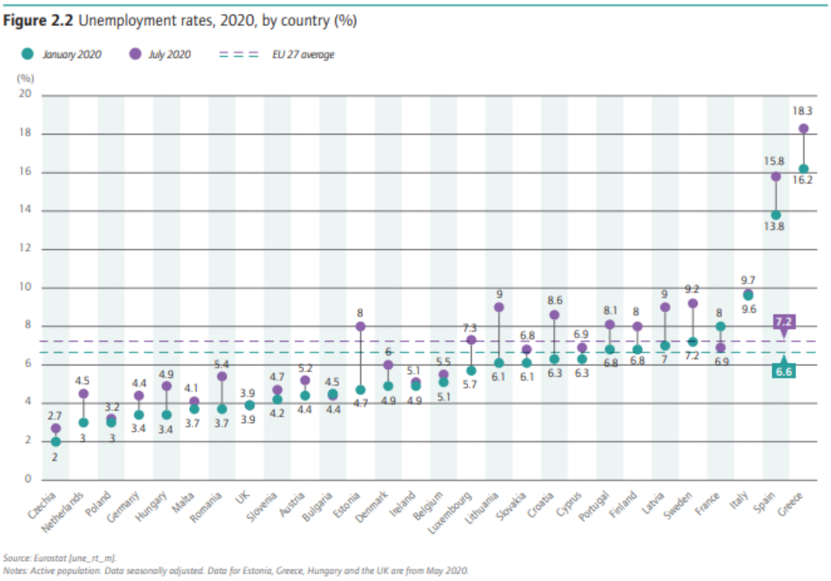
Source: European Commission

Figure 12



Source: ETUI Benchmark 2020

Figure 13

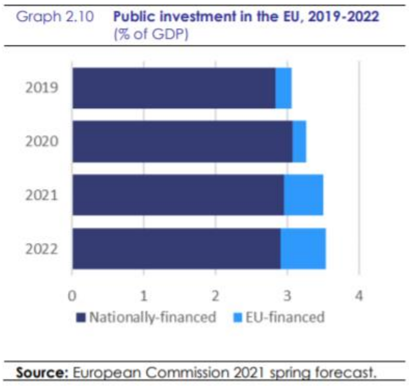


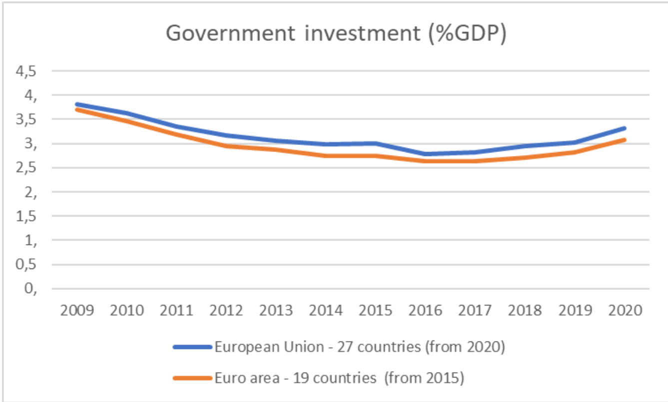
Source: ETUI Benchmark 2020

Figure 14

Source: FT

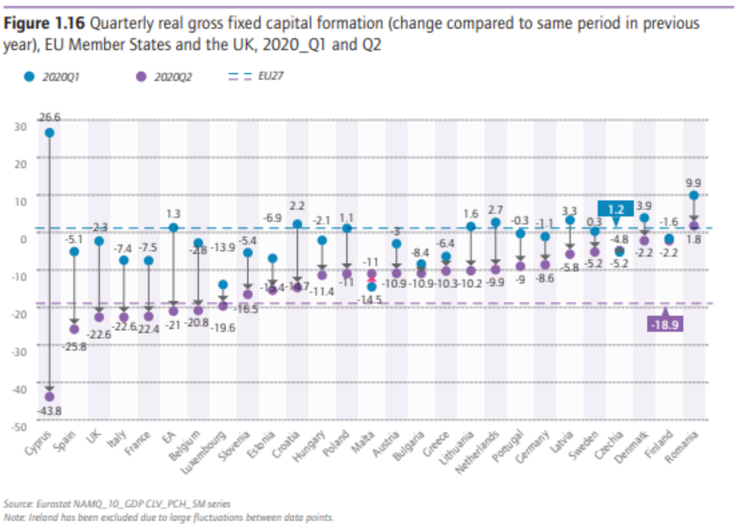
Figures 15





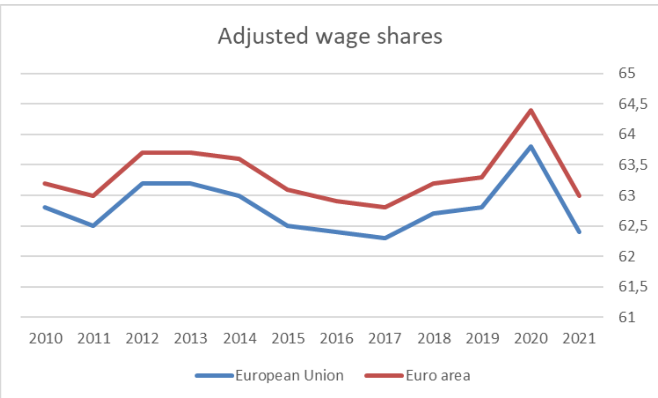
Source: Eurostat

Figures 16



Source: ETUI Benchmark 2020

Figure 17

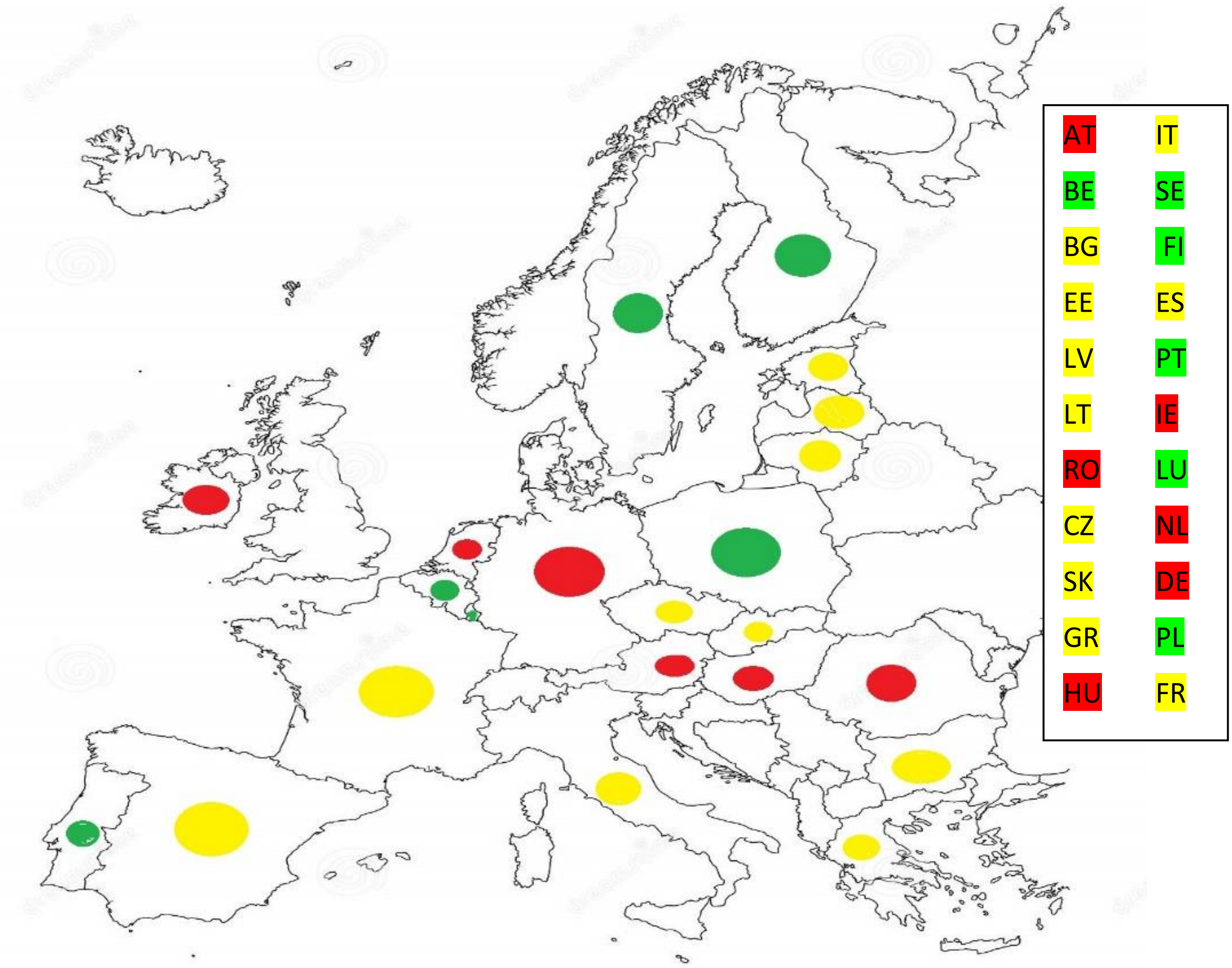


Source: AMECO

Annex 3: Trade Union Involvement in the RRF

POOR / NOT SATISFACTORY
IMPROVABLE / JUST INFOs
POSITIVE / SATISFACTORY

Trade Union Involvement Index – NRRPs 2021



Country	TU involvement on NRRPs
CZECH REPUBLIC	There were several meetings (in November) on the preliminary version. CMKOS had a number of comments. No feedback received. The CMKOS was invited to comment on the recovery plan. The invitation appeared more as a formal duty of government, rather than true consultation. Not sure if input provided can influence anything. Even in the case of preparing a National Recovery Plan, it would be appropriate to have a co-determination element. Not satisfied with the involvement.
SLOVAKIA	KOZ SR demanded that the approval of the NPRR be preceded by a broad professional discussion. Acceptance of the planned changes by the general public and the whole political spectrum is essential for its effective implementation. Slovak colleagues are afraid that the way the plan was drafted, its secrecy and the low level of consultation may endanger its feasibility and sustainability. In October 2020, a kind of reservoir was presented to discuss how and for what reforms the European Union funds from the NPRR will be used. The form of the discussion was unclear, as potential actors, interest groups, social partners, but also political entities did not know how to get involved in it, apart from presentation through the media. In December 2020, the Online Public Consultation on NPRR was launched, which was more of a presentation than a discussion. The consultation took place between representatives of state institutions in one and a half hour moderated blocks. TUs did not assume that that form of consultation corresponded to the European Commission's vision of a participatory process and social dialogue. The government did not use the available legislative instruments and did not continuously consult the individual parts of the NPRR or with the social partners. Standard legislative procedure was made in March 2021, but it should be notices the Slovak colleagues do not consider 10 working days for material of this scope and seriousness to be adequate. The NPRR was withdrawn from the tripartite meeting due to the fact that the submitter did not deal with the submitted amendments. The social partners were promised that the NPRR would be discussed at the tripartite on 26 April 2021. As the NPRR was submitted to the European Commission by the end of April 2021, tripartite negotiations did not happen, neither did the social partners' comments affect the resulting NPRR.
POLAND	Public consultation held and a draft of the Polish recovery and resilience plan was provided. Monitoring Committee was set up to: implement the plan; analyse the impact of implemented activities on the economy and its individual sectors, society and regional development; ensure complementarity of interventions implemented under other funding sources, complementary to the thematic scope of the plan; undertake activities essential to streamline the processes of implementing reforms and investments aimed at them. The Committee is composed of representatives of institutions involved in the implementation of the Polish RRP, as well as representatives of trade union organisations and employers' organisations indicated by the Social Dialogue Council, representatives of civil society organisations, and representatives of Joint Commission of Government and Local Authorities. In relation to Country Specific Recommendations, the Polish recovery and resilience plan provides activities considering the improvement of the quality of legislation, in particular by increasing the efficiency of legislators' work, facilitating the public's access

	to information about the applicable law, ensuring effective public consultations and involving social partners in the policy-making process. In this sense, there has been an acknowledgment of the inefficiency of social dialogue in Poland. The Plan was also presented and discussed in the national social dialogue council. Afterwards, Social Partners pushed the Government to include some amendments in the NRRP. This activity was successful and thus the NRRP with changes (and TU inputs) has been submitted to the EU Commission. Involvement was positive. However, the committee represents a large group of stakeholders, and it is difficult to always find compromises and concrete solutions.
GERMANY	In November 2020 there was an exchange of view between representatives of the DGB and the Finance Ministry at technical level. DGB colleagues were broadly informed about the plans by the German government and we were given the opportunity to provide input. A draft of the German Recovery and Resilience Plans was not provided at that time. In January 2021 the German government has published a draft of the Recovery and Resilience plan. After the publication of the plan, DGB asked to submit a written statement on the draft. The consultation was not very effective. DGB's main priorities were not taken on board. No further consultation has taken place. The impact of written input is not clear. Involvement not satisfactory. The Partnership Principle (present in other funds) should be a blue print for the RRF. Otherwise, Trade Unions will not be able to contribute to the design and implementation of the NRRP.
SPAIN	After several request from the Trade Unions, a Tripartite group with the government and the social partners was set up during the design stage of the National Plan. However, it was limited to the exchange of information. Exception for processes of social concertation on two key reforms: pensions; labour market. Lack of participation of the Autonomous Communities (regional level) in the design of the Plans. An effort in providing information has been made, but not participation. Several meetings took place with ministries, unfortunately without the possibility to influence the draft or change what was written. Trade unions requested that government improve the participation of the social partners in the European Semester and in the implementation of the recovery plan. The Government has agreed to reinforce the involvement of social partners in the consultation. Trade unions want higher cooperation among social partners, and a higher participation in the authority bodies. Spanish colleagues claimed to participate in the assessment authority, monitoring the implementation of the NRRP.
ROMANIA	NO Involvement at all. Trade Unions were completely excluded. Even after letters and requests to the Government. Also after intervention of political opposition. Gov. refused. The European Institutions intervened.

	And a meeting has been set-up with 1 representative for trade unions and 1 for employers to participate. Romanian unions submitted packages of reforms on: Pension, social dialogue, minimum wage, digital and green transition, fiscal measures. The Gov. did not consider the packages and proposals. Trade unions and Employers Organisation, jointly, are preparing a complaint to be sent to the EU institutions. End of May, a technical mission from EU took place. Different ministers involved. The EU delegation accepted to have a meeting w. trade unions and they received packages from TU. They promised to negotiate, on behalf of TU, with the GOV to include some proposals in the NRRP implementation stage. More in detail: the social partners were not effectively involved in the elaboration of the NRRP, neither in the first draft nor in the second. In the case of the last draft of NRRP sent to the Commission, there has been only one consultation to which the social partners were invited, but the discussions took place with the social partners not knowing the Government's intentions. The social partners' opinions were heard but no feedback was provided. The final NRRP draft was posted on the website and subsequently approved by the Government in April. Within the NRRP it is mentioned that the social dialogue is non-functional, the cause being identified in the absence of the capacity of the social partners to get involved in the elaboration of public policies. At the level of reforms, however, no measures are identified to contribute to improving the situation. They are talking only about grants for the social partners, in fact from the statements of Minister MEIP they are addressed exclusively to the Economic and Social Council, in the same chapter with investments for justice. Nevertheless, the allocations are completely insignificant (approximately 5 million euro, given that 100 million euros are allocated for increasing the resilience of NGOs). Granting only grants is certainly not a constructive approach to the dysfunctional social dialogue in Romania. The disappearance of the sectoral collective bargaining and the precariousness of the industrial relations are not of interest. In fact, lately the behaviour of the various representatives of the Government regarding the trade union organisations have strengthened this contempt and lack of interest for the active labour force in Romania.
LATVIA	In December, during the meeting of the National Tripartite Cooperation Council, a discussion on NRRP took place. The document was not received previously. The government explained that the document was not ready and was asking for the social partners' input. The guidelines for the NRRP were presented. Latvian unions provided input to the GOV. Unions were excluded from the consultation process while NGOs were included. February (multi-stakeholders event): the first consultation of the draft nRRP in NTCC. First time the social partners received the nRRP. Social partner inputs are not included in this draft. Trade Unions and Employment Organisations sent a joint letter to the EU Commission to complaint about the lack or poorness of the involvement. In April the situation improved with several meetings: Consultation between social partners and the Ministry of Finance (Institution developing the National RRP). The latter received detailed inputs from social partners

	and the local government organisation. Discussion of social partner inputs and current state of nRRP. Stakeholders introduced amendments to the second NRRP draft. Some trade union proposals have been included and some funding allocated.
FRANCE	After pressure from the French Trade Unions, the first working meeting with the French government *(European and International Department of the French social ministries and the secretariat on European affairs of the French Prime Minister)* on the French NRRP took place on 17 December 2020 and the first documents were received on 23 December 2020. A second working meeting has taken place on 5 February 2021. The latest update on the French NRRP was on 12 March 2021 within the framework of a broader meeting on the preparation of an informal EPSCO Council. The French government has accepted the proposal of trade unions, supported by other French social partners, to annex the contribution of French social partners to the NRRP as it is for the National Reform Program within the European semester cycle. Unions regret that the consultation on the NRRP is strictly framed by the recovery plan "France Relance" presented on the 3rd of September 2020 after limited information meetings with French social partners during the summer 2020. There is no room of manoeuvre to adapt the French NRRP following the consultation of social partners as any arbitrations and trade-offs have been already made at political level. There is also no exchanges within the National Committee on Following-up the Recovery *("Comité National de suivi de la relance")* on the Recovery and Resilience Facility and the French Recovery and Resilience Plan. Some features of the French NRRP have already been put in place and there is no proper involvement of French social partners in the implementation of the NRRP. FO has called to ensure an effective involvement of social partners in the implementation and the follow-up through the French Committee of Social Dialogue on European and International Affairs to ensure that milestones are indeed reached. Unions have also recalled the need to respect the ongoing social agenda - an exercise of concertation between the French government and French social partners - and to adapt the French NRRP to its conclusions. To summarise, at the beginning no involvement at all. Then pressure from social partners, and discussions for the development of the plan. No meetings on certain issues, social partners were just informed rather than consulted, without the possibility to influence the plan. Ineffective. Much more involved in the second part of designing the NRRPs, even though very limited. There is no monitoring committee on the NRP as the NRP has been combined with the French NRRP for the 2021 cycle of the European Semester. But two monitoring committees, one at political level and the other at technical level, both involving representatives of French social partners including other stakeholders, have been put in place on the national recovery plan called "France Relance".
PORTUGAL	The Plan has been public and open for comments by the 1st of March. Portuguese trade unions have submitted their comments and were consulted during the process. There is a specific structure to monitor the implementation and, after negotiations, trade unions managed to have a seat in this national commission.

FINALND	Social partners are normally given opportunities to give their statements and express their views in the committee hearings in the Parliament. Social partners were also heard by the ministries in the preparation phase. The government has arranged a number of stakeholder hearings including trade unions as well as a separate "road trip" to receive feedback from local municipalities in Finland. In addition, on trade unions' initiative, government officials responsible for nRRP preparation have arranged a hearing devoted solely to trade unions in order to exchange ideas, address questions and specify the timing of the process. The parliament of Finland has also invited trade unions to hearings regarding nRRP. Trade union goals related to employment and continuous learning are met in the preliminary nRRP. Overall, trade unions have been involved well in the process.
SWEDEN	Overall, positive assessment of the trade unions' involvement in the preparation and designing of the NRRP.
HUNGARY (1) - MASZSZ	Not been consulted or involved in a meaningful way. There was a public consultation online in December (1st draft). Anyone who could have found the file online could have provided input. 600 organisations invited to provide input (online platform). By the end of January , MASZSZ sent their proposal. No answers or any feedback received. GOV started detailing the plan (400 pages), and put it for a second time to a public consultation. Feb-March there was an advertisement on the platform. End of February, a meeting on MFF and RRF was on the agenda of national economic and social council (not the Social Dialogue Council) but there were technical problems, and the meeting was not successful. Very low consultation. During the Private sector consultative forum (end of May): information provided by GOV, but no real discussion. Gov reporting that they have done their job consulting the SP, but it is not true!! And the EU Commission is aware of that!
Hungary (2) - MOSZ	3 info channel supporting the consultation process: Civil consultation – to socialise the plan. Give voice to workers and companies. Several information forum. In January 2021, more than 600 social organisation invited to comment the NRRP on the web portal. Role of the permanent committee: intensify information, also as advisory services. Information on the semester and the RRF by inviting relevant and interested organisations. Webinar and conference organised in February. People interviewed: 200 via questionnaire (*just one Trade Union*) and 20 in-depth interview. 70% of those who heard of the plan, know basic principles of the plan. 80% had some contact and were involved in the consultation (online) 60% knew something about the consultation activity 90% of them knew the chapters specific of the plan.

	60% it was easy to channel their opinion in the consultation online.
ITALY	Italian Unions consider that the discussions held with the Government on the definition of strategic priorities, objectives and resources of the Plan have been inadequate. The role of the trade unions in the designing phase of the plan has been marginal. The criteria and levels of negotiations were not defined or guaranteed, concerning neither reforms, nor investments. CGIL, CISL and UIL asked that the six missions, the sixteen components and the three transversal actions included in the NRRP become the constant object of preventive confrontation and monitoring for a "Participatory governance", with the substantial involvement of the Trade Unions. In addition, many reforms embedded in the plan will have an impact on the economy and employment. Most of them will have a direct impact on work, its organisation, protection and creation, and inevitably also on collective bargaining. For this reason, Italian unions believe that these issues should be the subject of a prior and strengthened dialogue among GOV and social partners, where appropriate negotiation can be envisaged, especially for reforms that have a direct and indirect impact on employment and social protection. The NRRP states that the document has been agreed with social partners. That is not true. A couple of meetings with some ministers took place, based on information exchanges. Then, the involvement was very limited. Unions requested a meeting with the Prime Minister Draghi. The meeting was positive, even though just informative. However, the Italian government promised to involve more the social partners in the future, also by setting up a “Monitoring and Implementation Committee", where Trade unions should have some representative. This Committee has been established by Decree, to have a permanent table of consultation of stakeholders. But Trade unions are not satisfied because several actors are allowed to take part in this committee: Universities, NGOs, etc. Italian trade unions call for meaningful involvement, and not just an exchange of information. They hope the situation of their involvement will improve when dealing with the implementation of the Plan.
AUSTRIA	The ÖGB was not involved in the preparation of the recovery plan. After much criticism from the ÖGB and other interest groups about the lack of involvement, an e-mail box was set up for any contributions from interest groups. Despite a letter to Chancellor Kurz, Vice-Chancellor Kogler and Finance Minister Blümel early December 2020, there was no consultation with the ÖGB. The ÖGB has also raised this issue several times in the media. There has not been any meeting with State Secretary Edtstadler, although she had announced this in a telephone conversation with the President of the ÖGB. The ÖGB is still waiting for a dialogue and is ready for constructive cooperation.
BULGARIA	Unions had several positive meeting with the previous Government, especially in the first phase of designing, in December. They developed their own position, and presented it to the government. The four pillars of the plan (Innovative, Green, Connected and Fair Bulgaria) were discussed during a special meeting with the social partners in early November. By the

	end of November, the social partners provided their views on the first draft of the plan, as well as concrete proposals for projects and reforms to be further included in it. After elections in April, politicians could not agree to make a coalition for a Government and another election is scheduled in July. The previous government did not send the Plan to EC. Now the temporary government has made many changes and it expects to finish before the next parliamentary elections. Unions have had only one meeting with the current government on National Recovery and Resilience Plan but without a chance to influence the plan. Involvement not positive. At the first stage we have participated in many discussions. But it became then just nominal and informative.
LUXEMBOURG	The trade unions sent a joint letter to the Ministers of Finance and Employment (ECOFIN and EPSCO) on 27 November 2020, in which they asked for full involvement in the establishment of the RRP. In general, involvement was quite positive.
IRELAND	The preparation of Ireland's Recovery and Resilience Plan was (briefly) discussed at a meeting of the tripartite Labour Employer Economic Forum in February. ICTU responded to a Government civil society consultation on the development of Ireland's plan but has not seen any draft NRRPs. (22 April)
NETHERLANDS	FNV called on the Dutch government to submit a (draft) RRF plan for the Netherlands as soon as possible (already in December), since there were so many companies in trouble, unemployment rising at such a rapid pace, and so many people struggling to make ends meet. The FNV found it incomprehensible that the Dutch government planned to submit the (draft) national RRF plan after the elections in March 2021. There was an urgent need to mitigate the negative consequences of the COVID-19 crisis on employment and social matters through targeted investments, also by taking the necessary steps in order to facilitate the green and digital transitions. The FNV therefore supported the principles of the RRF and believes that the RRF funds could be of added value for the Netherlands. FNV therefore called upon the Dutch cabinet to act decisively and to propose RRF investments in order to maintain employment and work on the economic recovery. FNV has provided the Dutch government with a concrete set of proposals for the Dutch RRF plan. A copy of this plan was sent to the commission. Although the FNV did get positive responses from the commission on this plan, we never received any comments from the Dutch government. Social partners are totally neglected in the Dutch RRF process. No negotiation or information has reached social partners from the government. All the information is toward / from the EU directly.
LITHUANIA	The beginning of the consultation process was chaotic and the involvement of social partners was only a formal gesture without any real constructiveness. Very often social partners were on the same level as non-governmental organisations and their special status in the economy was mostly ignored. There were several streamed public events called “consultations” but in reality it was non-specific discussions on common priorities/ a current situation of the country. Back then there was no draft, no concrete information on financial matters and it seemed like a parody of consultations. After trade unions heavily criticized this kind of process, these public events got more concrete but still the National Recovery and Resilience

	plan was published very late (16 April), so for a long time the situation was not clear enough to develop our position on the Plan. Later every ministry organised public events on a component they are responsible for. Some ministries did the task better than others. Yet again, it is questionable if a two-hour-long event is enough for all stakeholders to share their inputs and asks questions. There was a possibility to take part in a public e.consultation on the Plan's priorities but the given time to analyse the document (nearly 200 pages) was inadequate to develop a quality input. Mid-April: Presentation of the part of the nRRP which is the responsibility of the Ministry of Social Security and Labour (via Microsoft Teams). A possibility to ask questions/ state a short position
GREECE	Above all, meaningful consultation/dialogue on the Greek national R&R Plan has been restricted and superficial, without any possibility for interaction or feedback. SP and CS Organisations had no involvement on the design/preparation of the Plan, and no feedback on their views. More specifically, regarding the procedure: - The National R&R Plan was uploaded for public consultation (25 November–20 December 2020) on opengov.gr platform, receiving 47 comments/observations/ proposals submitted by 37 natural and legal persons and bodies. There has been no feedback. - Unions received a letter by the Finance Minister to express their views. GSEE replied sending comments/feedback. No reaction received. - The Economic & Social Council of Greece (OKE) issued an opinion with detailed proposals, regarding each of the four Pillars of the Strategic Plan. There has been no reaction. - Notably, the government publicised ONLY the "Strategic Guidelines" section of the Plan for public consultation. The draft text itself with the proposed measures and budget allocation proposed to the Commission[2] was not made public. For example, the strategic directions mention that about 13 billion euros, will be used to finance private investment, giving only vague references to long-term and sustainable private investment with added productive value for the economy, employment, exports, etc. - Thus, by disclosing an outline but not any content of the Plan,(e.g. proposed allocations), the government de facto has restricted any meaningful, information/debate regarding the transformative potential and resources of the Recovery and Resilience Fund.
BELGIUM	The social partners in Belgium were quite strongly involved in the process of developing the national plan. Only in the starting phase did they not feel involved, but this was rather a consequence of the complex Belgian political system rather than an unwillingness of the government to involve social partners. The first list of possible projects (covering 4 times the available budget) was developed by all the different governments, before they organised a first social partners consultation. On the federal level we provided a trade union input for this in October. Trade unions only received a notice that they received the input. The federal minister of recovery took the lead in the development of the plan. He and his cabinet organised a first meeting with the social partners mid-December, presenting their working schedule for the coming months. They immediately stated that they would involve the social partners, but only the federal social partners. They couldn't take (or didn't want to) the responsibility of consulting the regional social partners on

	regional government projects. During the rest of the process, Belgian unions only focused on the federal projects and the global coherence of the plan. In January, multiple working group meetings with representatives of the minister were organised, to present the main lines of the total plan on the one hand and the federal investment projects on the other hand. Trade Unions regretted not having received the investment proposals, but they developed a first common social partners advice on the main lines of the plan. The minister organised a meeting later on to give a response to the unions' advice, accompanied by a large written response. After the first advice, the union organisations received the selection of all the investment projects, based on a 130 % budget. From that point on, they received all the information at the same time they sent it to the Commission. In order to be able to still have an influence, Belgian colleagues had the opportunity to give informal advice on the investment projects during multiple working group meetings. During these meetings, not only the representatives of the minister of recovery were present, also representatives of other federal ministers to provide more information on the specific content of the investment projects. After these meetings, they developed a second common social partners advice on the investment projects, with the goal of influencing the decision on which projects to maintain in the 100 % budget. Two weeks after the investment projects, TUs received the document consisting of all the planned structural investments. For these, Belgian colleagues followed the same working method as for the investment projects: informal meetings with representatives of different federal ministers, followed by a third social partners advice. Although they formally had the same influence possibilities, Belgian unions quickly noticed that there was no space for real influence: GOV only provided reforms coming from governmental agreements, and the Commission quickly let them know that the total amount of reforms was way too large, so proposing even more additional or different reforms was not possible. In general, there was a quite strong involvement of the social partners, especially after New Year, but the actual influence on the content of the plan was small. And there wasn't the same degree of influence on the regional level, whereas 2/3 of the budget is going to the regions, with important areas such as labour market policy and education.
ESTONIA	In November, the social partners have met with the Prime Minister in a tripartite manner - employers, trade unions and the government. In addition to the national Recovery and Resilience Plan a number of issues have been discussed, many of which have materialised (including the payment of sickness benefits during the COVID-19 crisis). Capacity building for government officials would also have been needed to deepen cooperation with the social partners, not just to inform and consult on the plan. Estonian Unions would like the government to support the occurrence and development of social dialogue in the sectors.

The ETUC strongly believes social dialogue should be the cornerstone of the Recovery Plan, and we welcomed the guidelines to implement the RRF which state that Member States should engage in a broad policy dialogue, which includes social partners, to prepare NRRPs. Moreover, governments should put in place robust coordination mechanisms, both for the planning and implementation phases, involving social partners and CSOs. This would increase both the ownership and the implementation of national plans while strengthening the democratic process. Country reports and NRPS have to monitor and report on how the social partners have been consulted and involved in designing the reforms included in the plan.

Nonetheless, the Trade Unions' involvement both in the Semester and in the NRRPs is not satisfactory. Consultations have been too often disregarded by governments and their effectiveness largely depends on the good will of governments themselves rather than on established practices or rules. Until late January 2021, in the majority of Member States, there has been hardly any involvement of the trade unions in the discussion on the National Recovery and Resilience Plans (NRRPs). In other places, trade unions were involved, but the quality of such involvement has been poor: basically, in many countries, national authorities presented their priorities and guidelines for national recovery plans (roundtables, public hearings, multi-stakeholder events, workshops, informal meetings), more as a formal duty and without the chance for social partners to provide input or influence the drafting.

The situation slightly improved as of the end of January 2021, with dedicated consultations, submission of written proposals, high-level meetings with responsible ministers and discussions between representatives of the government and trade unions. Still, in too many Member States, although formal meetings took place, at political and/or technical level, trade unions did not get any draft of the plan or have any insight about the content of the NRRP. The timeframe is the biggest issue once Governments ask for social partners' contribution in written form. When trade unions submitted their documents with priorities of investments and reforms, in most of the cases they did not get any feedback from their National Government/policymakers. Another frequent issue raised by ETUC's affiliates organisation concerns the multi-stakeholders approach: although it is positive to participate in meetings discussing priorities for investments and reforms, the fact that trade unions and employers organisations take part in events together with NGOs, universities, and other civil society organisations, make the exercise less effective.

Anyhow, the vast majority of our affiliates reported that their involvement has been poor or they were not satisfied with the level of involvement. They discussed plans already drafted and in discussion with the EU, with no chance to influence the process.

It is high time to build sounder practices of social dialogue and social partners' involvement in national policy making and with regard to **the RRF**, where these are weak or almost non-existing. This is, of course, a national competence but, unfortunately, experience teaches us that when there is no binding rule, governments too often disregard the need to involve social partners in policy making.

The social partners must have a say and must be able to make their contribution to the design and implementation of national plans. Social partners will neither harm nor slow down the NRRPs, they will rather contribute to the design and ensure a proper implementation of employment, social and other labour related policies.

In conclusion:

- **ETUC urges the Commission to set a binding rule for governments to involve national social partners in the drafting and implementation of the National Recovery and Resilience Plans (and in the framework of the European Semester).** The effectiveness of social partner involvement has to be ensured. The aim of the consultation should be to fix binding priorities as far the allocation of money is concerned.
- No need for a standard process in each EU country (i.e. respect for national practices) but national practice should ensure some **quality criteria of involvement** (Social partner consultations should be timely, meaningful and at an appropriate level, allowing the necessary analysis and proposals and fitting within decision making processes)

Social partners have shown (when properly involved) their competences and commitment to shaping solutions to tackle the immediate effects of the pandemic. Their role is of paramount importance in drawing the path for a sustainable and resilient recovery.