

ETUC position on the Broad Economic Guidelines for the European Semester cycle 2018

Adopted at the ETUC Executive Committee on 13-14 December 2017

Introduction

The following document is the ETUC position on the EU broad economic guidelines which are the priorities for the 2018 European Semester cycle.

The annex is the ETUC Report on Trade Union inputs for Country Reports 2018. It assembles policy priorities and demands of national trade union organisations for the 2018 Country Reports and is drafted each year in preparation of the early stage consultation with DG Employment. This year, 30 TU organisations from 19 countries participated in this exercise.

General narrative

The ETUC reading of this year's autumn package is based on key messages of the Annual Growth Survey (AGS) and the draft Joint Employment Report (JER). The JER has indeed gained more significance in EU policy-making as it is called on to monitor those factors which are at the core of the European Pillar of Social Rights (EPSR) implementation.

The ETUC, together with its affiliates and the other European social partners, was formally consulted ahead of the publication of the AGS by the European Commission on 28 September 2017. On that occasion, the ETUC put forward the priorities agreed together with its affiliates and then adopted by the Executive Committee on 25-26 October 2017.

Huge differences in socio-economic performances of Member States still persist. The benchmarking exercise can support upward convergence towards the best performing models, correcting policy shortages in underperforming countries. However, it should be kept in mind that divergences are more likely due to the single market with a single currency, without appropriate distributional corrections. Peripheral economies cannot afford the same social standards as those dwelling at the core of the market. That is why we need greater commitment to common employment policies which pursue at the same time convergence of working and living conditions and distributional effects, and the proposal for a Council Decision on employment policies of Member States in that regard is welcomed.

The ETUC welcomes the autumn package as a first step toward re-focusing EU economic governance on social progress. Economic and social interdependencies are correctly mentioned in recital 6 of the proposal for a Council Decision.

In the current AGS, social progress can and should be meant as:

- a) distributional effects of reforms; and
- b) upward convergence in working and living conditions.

These two policy drivers should now drive reforms reinstating social justice into the economic governance of the EMU and in national scenarios. This would also contribute to the good functioning of the single market itself.

Despite recording an improved economic outlook, the AGS correctly identifies persistent challenges in:

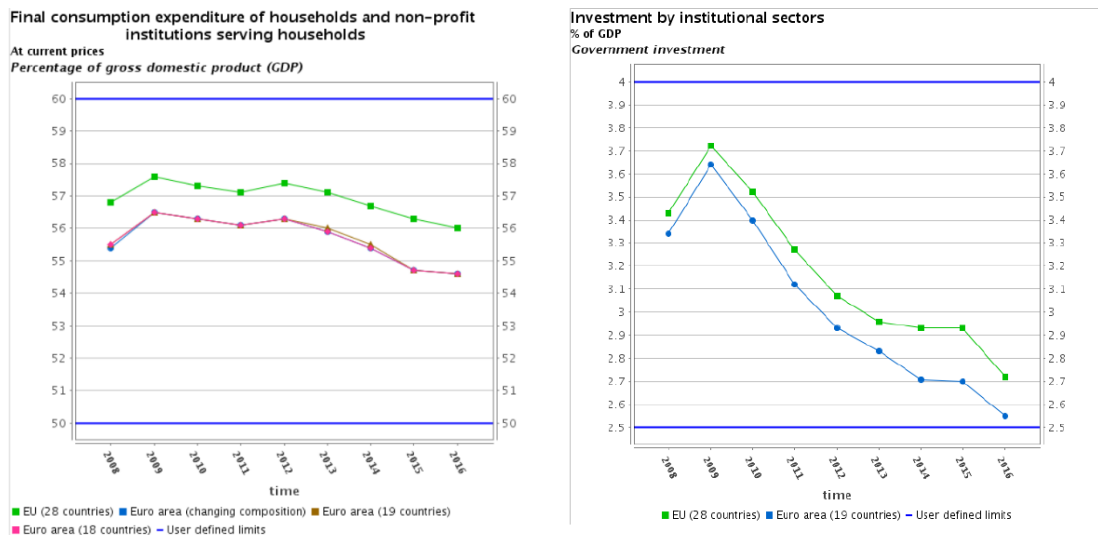
- a) Subdued investment and wage growth;
- b) Core inflation forecasts too low to drive investments but high enough to further erode purchasing power of wage-earners;
- c) 18.9 million people still unemployed;
- d) Worked hours remain below the pre-crisis levels;
- e) Labour market slack;
- f) Investment in education and skills is not progressing as needed;
- g) Poverty has not diminished;
- h) Social protection systems are often inadequate.

The AGS sees in the economic recovery a new momentum and – retaining some of the inputs from the ETUC – sets the conditions to trigger new drivers for social progress and socio-economic upward convergence. Not without shortages in certain areas where improvements are needed.

The AGS and JER show that economic governance has exercised excessive pressure on working and living conditions. Such pressures are now showing up in the form of social dumping and deepening inequalities. Sustainable Development Goals (SDGs) indicate the EU is moving away from its target of reduced inequality according to the indicators of income poverty, at-risk-of-poverty gap and Gini coefficient (over the period from 2010 on). A new playing field in the social domain is needed to reinforce the single market, to stabilise the EMU and to progress toward the 2020 targets.

Wages and investment

The ETUC shares the Commission’s view that “*recovery is increasingly driven by domestic demand*”, but also notes that private consumption as a share of GDP and public investment in proportion to GDP are on a decreasing trend since 2009.



Source: Eurostat

Therefore, the ETUC would favour all policy tools which could increase domestic aggregate demand, notably public and private investment and consumption. The ETUC regrets the AGS does not deliver the right message on the need for strengthening investment to boost economic growth and prosperity for all workers and citizens. The ETUC reaffirms that it is necessary to improve the level and quality of investments and that a much higher volume of investment should be devoted to ecological transition and social infrastructures.

Both the AGS and JER came closer to the ETUC position on wage policy. The AGS states that “*growth in real wages, as a result of increased productivity, is crucial to reduce*

inequalities and ensure high standards of living. More dynamic wage developments, when translated into greater domestic demand, would support further the ongoing economic expansion". The JER affirms that from 2000 to 2016, real productivity per person employed grew by 14.3%, while real compensation per employee grew by 10.2%. However, what is not said is that real wage growth is subdued, despite the favourable macroeconomic conditions. This is often because collective bargaining has been weakened or dismantled at the multiemployer level or, as in the case of the public sector, because wages were cut or frozen and collective agreements were not renewed for years.

In the ETUC's view, this means that wages should increase faster than productivity in the years to come, using the levers of enhanced collective bargaining.

The ETUC considers that AGS priorities, redefined in the light of the JER, can boost wages and increase the labour share of GDP, giving back to workers what they have lost during the crisis and boosting internal demand.

Collective bargaining can contribute to tackling the growing inequalities. National Reform Programmes should aim to increase the number of sectoral collective agreements and extend coverage of collective agreements, also by creating or supporting, where necessary and together with the social partners, legal frameworks which are conducive to free, autonomous and balanced industrial relations.

Wages and minimum wages should also help to guarantee dignity to wage-earners and their families. In that regard the ETUC resolution on low and minimum wages remains our reference.

For migrant workers, considering the ambiguity of the AGS, it has to be stressed that the first step to ensure decent wages is to guarantee equal treatment. This requires specific legislative measures when such a right to equal treatment does not operate on basis of nationality.

Employment, labour market and skills

The ETUC agrees on the fact that reforms of labour markets have to follow 'patterns of job security, access to social protection, fair and equal working conditions, and making open-ended contracts the final destination of professional transitions'.

However, 'transitions' in the labour market have impoverished the workforce because too many workers occupy the most precarious segment of the labour market and have no opportunities to upgrade their positions during their professional careers. The AGS and JER partially agree with this analysis

The reduction in unemployment and increases in employment are to be celebrated, but many challenges persist as Europe is experiencing a 'jobless recovery'.

Employment creation that *has* taken place is not offering sufficient hours. This is confirmed by the fact that in-work poverty has "remained on an increasing trend".

The picture on standard employment is mixed in the 2018 autumn package. The ETUC appreciates the references to the functioning of labour markets, notably on the importance of quality jobs, active labour market policies and education and training.

Nevertheless, the ETUC has to stress that, when assessing the growth in jobs, the Commission refers to the absolute values in order to hide the fact that the rate of temporary employment (+11%) has actually grown vis-à-vis open-ended posts (-2%) since the start of the crisis.

Almost half (46%) of unemployed people have been so for more than 12 months, with much higher rates in some Member States. Well over half of them are very long-term unemployed (i.e. more than 24 months).

The ETUC expresses its utmost concern as this can result in work and workers becoming hopelessly mismatched and suggests that very strong investment is needed to address the danger of work being spread too thinly across populations.

The ETUC welcomes the positive trends in relation to groups that have traditionally been under-represented in European labour markets.

The growth in the employment rate of women is to be welcomed. However, further actions are needed to bring down barriers to women accessing labour markets (the highest rate of employment recorded is still 11% lower than for men) and to close the gender pay gap (still at 16% in 2017). This 'double discrimination' must be urgently addressed in order to prevent further negative impacts on pension entitlement.

Youth employment has increased but is still well short of pre-crisis levels (around 4% lower); plus it is still lower for young women than young men.

The number of young people not in employment, education or training (NEET) has seen a slight decline since 2012, yet the share is far above pre-crisis levels. In this context, the JER agrees with the ETUC and calls for stronger partnerships to achieve the objective of integration.

However, the ETUC is concerned that no reference is made to the need to improve the quality of the offers provided to the beneficiaries of the Youth Employment Initiative (YEI) nor to the fact that more efforts should be made by the EU and the Member States on funding of the programme in order to implement it efficiently.

The ETUC welcomes the rise in employment rates for disabled workers, even if they are modest.

Access to education and training has to be guaranteed to all, but high educational achievements remain strongly linked to socio-economic background. The ETUC is pleased that this year's AGS has made the inclusiveness of education and training systems a priority for the entire EU, in line with the European Pillar of Social Rights (EPSR).

The ETUC assesses positively the autumn package's proposed amendments to the Employment Guidelines which aim to incorporate the relevant principles of the EPSR.

Social protection systems

Solidarity should be a key component of social protection schemes. The ETUC welcomes the reference to tax progressivity, notably higher incomes should contribute more so as to alleviate the tax burden on lower wages. Designing tax and social protection schemes is a national competence. Progressivity should be applied to contributions and performances, within public schemes that remain the backbone of social protection schemes covering all workers, employed and self-employed.

As long as countries are not able to deliver by themselves, a European Directive should ensure coverage, adequacy, transferability and transparency of core social protection schemes. The ESPR can act as a compass.

Inclusiveness of the labour market is another shared objective of the AGS.

The ETUC welcomes the assumption that 'better complementarity between labour market and social integration systems will help all vulnerable groups, generate increased prosperity for all and create stronger social cohesion'. This argument is key to earmarking public expenditure for inclusion of disadvantaged categories which include, among others, people with a migrant background. National plans should better implement what Country Reports have been suggesting for the last two years.

The ETUC endorses the emphasis put on adequacy and coverage of unemployment benefits. This needs to be translated into concrete policies in the next phase of the European Semester. The general approach is convincing but the assumption that adequate benefits could be a disincentive to work is unproved and has to be strongly rejected.

On the contrary, the ETUC stresses evidence that low salaries and poor working conditions are a disincentive to work, especially for second-earners, and that reliable safety nets help people to look to the future with more optimism and seize opportunities.

The ETUC is concerned about the way pensions are addressed in the autumn package. The ETUC strongly rejects the assumption that raising retirement age will ensure higher pensions as this has proven to be biased and not backed by real longer, healthier and quality working lives. Concrete measures are necessary to address other factors affecting pension incomes such as segmentation of professional careers, low and discontinuous remuneration and contributions, gaps in access and lack of coverage, exemptions and derogations, inadequacy etc.

The ETUC still sees a risk that fiscal stability rules, combined with the cost of ageing, will bring further reforms that will neglect coverage and adequacy and focus on sustainability.

The AGS correctly introduces the issue of under-protection of self-employed workers while the JER draws attention on the failed attempts of Member States to introduce remedies. Unemployment benefit schemes should cover dependent self-employed as well.

SDGs have not driven the definition of challenges and gaps in the social field. The autumn package does not track economic, social and environmental performances of the EU. It is at odds with the EU approach to SDGs. It is a missed occasion also because the Eurostat Report of SDG implementation in EU sets clearer links between economic growth and social underperformances. The monitoring of the Trade Union Development Network (country reports for Belgium, Sweden and Italy already available) shows lack of commitment on the Member State side. SDG indicators would have helped to identify gaps in areas that the social scoreboard does not cover.

Demands

The Commission has repeated several times that the 2018 cycle will be the first social Semester. Following the proclamation of the EPSR, the ETUC expects the Commission and Member States to translate the political commitments into concrete actions, starting with the next phase of the Semester cycle, notably the Country Reports. The ETUC calls on the Commission to take into full consideration the demands put forward by the national TU organisations in the ETUC Report on Trade Union inputs for Country Reports 2018 (in annex).

The AGS and JER aim at 'building opportunities for people' but such opportunities should be underpinned by rights at work, at the workplace and on the labour market such as work-life balance, equal treatment in cross-border work performances, new minimum rights for non-standard workers and self-employed, access to social protection, extending coverage and adequacy in access to education and training, work-life balance,

unemployment benefits, health services and pensions, for all workers including self-employed.

Such rights cannot be restricted by cross-border competition or by economic governance and, on the contrary, the Semester should help deliver them in the national plans and back them in EU legislative initiatives.

The ETUC, together with its affiliates, will work for the distributional effect of reforms to materialise and for promoting the upward convergence in working and living conditions in Europe. The ETUC will ask that the decision to adopt less and better focused CSRs should not become an impediment to the definition of new CSRs that will commit member states to priorities established in the broad economic guidelines and aiming at social progress.

For this to happen, the ETUC considers it necessary to quickly adopt and implement the current EU legislative initiatives in the social field. Moreover, future national plans have to be drafted keeping the implementation of the Social Pillar as the key priority of each policy initiative.

The ETUC affirms that, to achieve such goals, it is of fundamental importance for the social partners to be involved in the design and implementation of reforms. The ETUC welcomes the fact that the autumn package sees social dialogue as a policy driver and that the AGS correctly refers to the timely and meaningful involvement of social partners. Nevertheless, as confirmed also by the ETUC Trade Union Involvement Index, too many governments are still not willing to genuinely involve social partners.

The ETUC renews its call for the Commission and Member States to make concrete progress on the timely and meaningful involvement of trade unions at the appropriate level. In the meantime, the ETUC will continue monitoring the involvement of trade unions in the semester at national level, especially in the design and implementation of national plans and, when necessary, will support its member organisations in opening a dialogue with the Commission and/or governments.

In order to better integrate the UN2030 agenda with the EU Semester policies, the ETUC will reinforce its efforts to incorporate SDGs into the European Semester. This will take place within the Multi-Stakeholder Platform on SDGs and by advocating a stronger integration of the social scoreboard and the SDG indicators.