

ETUC for Growth and Social Progress to build sustainable and resilient economies - SEMESTER CICLE 2021

Executive summary

1. Coronavirus (COVID-19) and the confinement measures taken to limit its spread are having a profound impact on the way people live and work across Europe and the world. The alarming economic figures are bringing about severe social and political consequences, which come on top of an already unacceptable situation: inequalities are far too high, the average pay of workers in a third of EU countries is lower than, or nearly the same as, ten years ago, and Covid-19 has exposed the effects of cuts and underinvestment in health, social care and other services, such as training. Economic, gender, skills, regional, and ethnic inequalities have all worsened.
2. In these circumstances, it is crucial to ensure that our society is **resilient**. The Strategic Foresight Report¹ makes some progress on such resilience, which builds on the concept of sustainable growth envisaged in the SDGs and putting people and jobs at the centre of the process. Resilience is conceived as the ability not only to withstand and cope with challenges but also to undergo transitions in a sustainable, fair, and democratic manner. We need to be able to face shocks and persistent structural changes in such a way that societal wellbeing is preserved, leaving no one behind and without compromising the heritage of future generations.
3. In the past months, ETUC took **action to protect workers** facing the risk of unemployment or loss of income. ETUC highlighted the sectors with need particular attention since they are 'disproportionately affected' by this crisis. ETUC also identified relevant **risks for specific groups** that are often underrepresented outside the trade union movement: precarious workers, self-employed, young people and groups of women at high risk of social exclusion. It is time to map the social risks caused by the economic consequences of the pandemic and to identify short-term and medium-term solutions that could preserve social cohesion and keep to the ambition of **triggering upward convergence of working and living conditions**. This document maps these risks in the labour market, precarious work, wage formation and collective bargaining, women position on the labour market, education and vocational training, poverty and social protection.
4. When mapping risks, it is important to observe what is happening in collective bargaining. Collective bargaining is key to face the emergency and adapt to the changing productive fabric of the EU, as consequence of the green transition, digital transformation and all the envisaged consequences of the pandemic crisis.

Priorities

5. ETUC encourages extending actions to protect workers facing risks of unemployment or income losses. Moreover, we need to activate a **virtuous triangle** by:
 - boosting investments for productivity and to adequately face green and digital transitions;
 - reinforcing social dialogue and promoting collective bargaining;

¹ https://ec.europa.eu/info/strategy/priorities-2019-2024/new-push-european-democracy/strategic-foresight/2020-strategic-foresight-report_en

- achieving social progress, that is the improvement of living and working conditions.
6. **Productivity and worker-centred strategy.** The decrease in private and public investment, restrictive measures, increasing unemployment (that will imply waste of skills, or burdensome re-hiring practices), deterioration of assets, make labour productivity a real challenge. Productivity increases will be key to ensure upward convergence of working conditions while addressing old and new economic challenges. It means having a worker-centred strategy. All productive factors that contribute to higher productivity have to be scaled up: investments in technologies, in public sector, in labour market facilities, in skills and in the reconstruction of the supply chain. Creating and enabling environment for investments in SMEs is crucial to create quality jobs. It is assumed that these factors improve productivity, but it is crucial that the worker stays at the centre of the picture, and that social risks of recovery are properly and promptly addressed.
 7. **Collective bargaining** is an essential element to adapt production patterns, organise work and corporate setting in this new situation due to Covid19. At the same time, workers should receive their share of wealth gained with improvement of productivity performances. Effectiveness of collective bargaining in economic clusters (country, region, sector, group of companies, etc.) will measure their resilience and the potential success of the economy.
 8. However, in recent years, productivity gains were unevenly distributed between capital and labour. Productivity, wage and profit are strictly related. The interaction between these three factors determine how much is allocated to different productive factors. Recently, technology got the bigger slice of the pie.
 9. Productivity is a key issue since the EU will likely experience labour market shortages caused by shrinking or ageing of the population and reduced supply of work. This is also linked to the different management of working time, increasing workers' time sovereignty. In view of this, we propose the reduction of working time while keeping the same compensation levels.
 10. Finally, it is important that the Green Deal, the Digital Agenda, the European Pillar of Social Rights, and the UN SDGs all guide the national recovery and resilient plans to aim for an upward socio-economic convergence, and finally improve social rights and working conditions. Particularly, the UN2030 Agenda and policies related to the green transition need to be actually implemented receiving full support from workers and citizens at large.

LABOUR MARKET

11. In the first three months of the COVID-19 restrictions, **unemployment** already increased by 900,000 units across the EU to a shocking total of 14.3 million. ETUC, thanks to the reporting from its affiliates, is able to estimate that a further 45 million workers are currently in short-term work schemes and at serious risk of unemployment, along with 2.5 million workers on very short-term contracts.
12. Statistics are not reflecting the real risks concerning the labour market and the potential impact that the crisis will have on workers. As rightly reported by Eurostat, the employment and unemployment indicators as defined by the ILO² are “in this particular

² ILO counts as unemployed people without a job who have been actively seeking work in the last four weeks and are available to start work within the next two weeks.

situation” not adequate to describe the developments currently taking place in the labour market. The confinement measures applied since March 2020 have triggered a sharp increase in the number of claims for unemployment benefits across the EU. At the same time, a significant part of those who had registered with unemployment agencies were no longer actively looking for a job, e.g. limited by the confinement measures or no longer available for work if, for instance, they had to take care of their children during the lockdown. This leads to discrepancies in the number of registered unemployed and those categorised as unemployed according to the ILO definition.

13. Nonetheless, in the second quarter of 2020, the EU **employment** rate (20-64 years old) stood at 72.0%, down by 1.0 pp from 73.0% in the first quarter 2020. This has been the sharpest quarter-on-quarter decline since the beginning of the series in 2000. The EU **unemployment** rate was 6.5%, up from 6.3% in the first quarter 2020. At the same time, total **labour market slack** in the EU, consisting in unmet demand for labour, amounted to 14.0% of the extended labour force in the second quarter 2020, up from 12.8% in the first quarter of 2020. This has been the highest quarter-on-quarter increase since the beginning of the data compilation in 2008.
14. This containment of unemployment has been mainly due to the role played by **job retention schemes**. (See also the position “*ETUC input to the Joint Employment Report*”). Despite various safety nets, unemployment is projected to rise to more than 9% and real disposable income to drop by 1%, disproportionately affecting women and poorer households.
15. Moreover, we note that during the first months of lockdown measures the total **actual hours worked have dropped sharply** in the EU, This data is even more pronounced with respect to women.
16. Finally, ETUC welcomed the establishment of a European instrument for temporary support to mitigate unemployment risks in an emergency (“**SURE**”). ETUC reaffirms the need to equip the EU economy with an economic and employment stabiliser; expand and prolong the emergency measures as long as necessary; and make them coherent and coordinated with the subsequent recovery strategy.
17. However, putting SURE in place should not mean that plans for a **European Unemployment Reinsurance Scheme** (EURS) are abandoned. A permanent scheme is still needed to strengthen the social and economic resilience. A permanent EURS, coupled with binding social minimum standards (in terms of coverage, adequacy, activation targets, the right to training, and the duration of the entitlements) for national unemployment insurance schemes, will mitigate occupational shocks.

EDUCATION and TRAINING

18. **Equal access to and provision of high-quality education and training**, and a more equitable distribution of learning outcomes are a pre-requisite for Europe’s recovery and to meet the demands for high levels of skills, knowledge, and competences. Societal fragmentation and existing inequalities are deepened by the shockwave of the Covid-19 pandemic, and by the lasting impact of severe investment cutbacks, which are compensated by an increasing reliance on private sources of funding. 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.
19. **Policies are needed to support the creation of quality jobs, re-skilling and up-skilling of the workforce**, to better adapt to the future challenges and transitions. Above all, it is important to improve workers employability in the aftermath of the pandemic.

Many of them will need to acquire new skills and move to new jobs in a different sector of economy. More will need to upskill to keep their job in a new work environment. It will be even more challenging for many young people to enter the labour market.

20. In this regard, ETUC welcome the new **European Skills Agenda** puts an emphasis on the importance of upskilling and reskilling. **Lifelong learning** for all must finally become a reality in Europe. All Europeans should have access to quality and inclusive learning programmes also because skills become obsolete more quickly nowadays. To meet its targets, **a massive investment in skills is needed**. Money from governments will not be enough, the EU has to prioritise investment in people and their skills in the EU budget and encourage companies to take their fair share of investment to employee training. Now, more than ever, the **EU needs a clear approach on skills** that delivers an audacious skills agenda for jobs to drive the green and digital transitions and ensure recovery from the socio-economic impact of the pandemic.
21. The COVID-19 pandemic has accelerated the digital transition. **Telework and distance learning** have become a reality for millions of people in the EU, however revealing the limitations of our current digital preparation. **The digital skills gap** has **accentuated** the already existed and new inequalities, since many people do not have the required level of digital skills or are in workplaces or schools lagging behind in digitalisation. In addition, issues regarding the digital divide and unequal access to distance teaching and learning have risen and must receive attention. The achievement of full digital literacy of all teachers and students and among all citizens could not be more compelling. To this end, public funding for continuous training for teachers and other education personnel, updated equipment, and the provision of digital services for teaching and learning is to be prioritised as a public responsibility.
22. Providing people with the **relevant professional, basic and transversal skills and competences** allows them to take active role as democratic citizens and work more effectively and better exploit technologies, it eliminates the major obstacle identified to business investment, it prevents labour market mismatches and it lays the ground for research and development (R&D) and firm-based innovation.
23. **Equal access to quality up- and re-skilling** provision is a right for all EU citizens and it is vital for millions of workers driven into short-time work or unemployment, no matter their contractual status or current level of skills or area of qualifications. Having the right skills means being employable and handling job transitions.
24. Yet less than two in five adults participate in learning every year. This is not enough to relaunch our economy and collect the eventual benefits of the green and digital transitions. Sectorial social partners skills funds, that are established through collective bargaining, provide significant tools to adjust workers' skills to sectorial needs and facilitate smooth job transitions in a changing world of work and, in particular, during the pandemic.
25. ETUC priorities concerning skills development are:
 - to significantly increase the **share of adults, with particular attention to the workers, participating in upskilling and reskilling leading to quality jobs** (VET);
 - to increase the participation of **low-qualified adults** and the **unemployed** in learning activities;
 - to improve basic and professional skills and transversal competences of all learners and workers, including **digital skills** and **green skills**;

- **guarantee the right to access to employee training** by ensuring that employers take responsibility with financial commitments to upskill and reskill the workers;
- effective social dialogue on skills strategies and skills reforms and ensure **the role of the social partners in governing and allocating skills funds to** facilitate access to up- and re-skilling of workers within digital and green transition;
- to monitor **companies' investment in employees' training;**
- to pay particular attention to **older workers**, whose skills may be outdated, who do need learning activities in upskilling and reskilling.

WAGES and COLLECTIVE BARGAINING

26. The recovery from Covid-19 cannot be built on job losses and unfair competition between member states on wages and working conditions. The European economy is wage-led, and needs demand and wage-led solutions to get out of the crisis. The ETUC wage scoreboard confirms the challenges identified last year, and statistics do not help track the effects of the pandemic on wages. The reporting of ETUC affiliates help us to identify the following challenges concerning the 4 priorities of the ETUC: ensuring that real wages increase in line with productivity, that wage dynamics follow an upward convergence trends in all countries, that low wages remain above the poverty threshold and that pay-gaps are removed, banning all form of discriminations with a specific view on gender pay-gaps.
27. One in ten workers live in households that are **at risk of poverty**: an alarming 20.5 million persons. From 2010 to 2019 wages increased less than labour productivity in the majority of Member States. Workers in two thirds of EU member states are receiving a smaller share of their country's GDP than they were at the beginning of the decade³. More than half of the EU population live in a situation of **stagnating wages and increasing divergences of wage levels**.
28. Low wage developments negatively impact productivity through decreases in investment, while fostering financialisation. Low wage levels are also an essential cause of rising inequalities, both in income and wealth, which are detrimental to economic growth. In a number of Member States poor wage performances are the result of policies that have contributed to the decline in the number of workers benefiting from collective agreements⁴. **Minimum wage increases would help to curb economic and social divergence currently being experienced**.
29. Unjust low pay is an unfair condition of employment and the imbalance in bargaining power between employers and workers on the labour market needs to be readjusted. This is why ETUC is calling for a **Framework Directive**. The objective of the EU initiative would be to guarantee fair working conditions. To achieve this, it must also ensure that all workers can join a union empowered to bargain for fair wages and conditions on their behalf.
30. ETUC demands that **Member States are required to ensure that statutory minimum wages** – where they exist – are never set below the double decency **threshold of 60% of the national median wage and 50% of the national average wage**. This leaves the Member States and social partners free to determine the level of their minimum wages.

³ <https://www.etuc.org/en/pressrelease/workers-share-economic-prosperity-down-18-eu-member-states>

⁴ <https://www.etuc.org/en/pressrelease/33-million-workers-lose-out-because-member-states-fail-protect-collective-bargaining>

31. ETUC's COVID-Watch shows that **collective bargaining and social dialogue were key to introduce emergency measures** at the outbreak of the pandemic crisis and key to preserve social peace during the lockdown. In this recovery phase, a key priority is the **reinforcement and promotion of collective bargaining** at all levels, in the respect of national specificities, practices and culture and refraining from interfering with the autonomy of social partners. At the same time, it is possible to build on best practices to multiply them, introducing elements of coordination and promotion of collective bargaining and social dialogue at both national and European level. In this regard, it would be advisable that the national plans referring to the Recovery and Resilient Facility (RRF) are designed in full cooperation with the social partners.
32. **Gender pay gap remains one of the great challenges of our times.** Gender pay discrimination is one of the reasons women in the EU earn 15% less than men on average. Pay transparency measures would improve workers' access to information on pay – raising awareness of discrimination and making it easier to enforce equal pay. It also helps women file claims related to pay issues. ETUC called for a Pay Transparency initiative (yet to be adopted by the Commission).
33. Coordination of wage policies in the EU Semester showed to be ineffective for boosting the upward convergence, but most of all were not able to protect workers in low segment of the wage scale against poverty. The ETUC wage scoreboard showed that countries with high coverage of collective bargaining and ongoing upward convergence of wages curtail in-work poverty rate by half of the EU average (close to 10% before the pandemic). It appears clear that a coordinated process of social and economic governance can succeed in pursuing upward convergence of wages and raising low wages above the poverty thresholds only if supported by minimum standards at EU level. The indicators measuring the impact of the national Recovery and Resilient Plans (nRRP) should include benchmarks for upward convergence of wages and clear target to prevent in-work poverty. ETUC will monitor these specific aspects within the **EU SDG 8 Index** that will monitor social sustainable progress in the EU mainstream policies.

SOCIAL PROTECTION and POVERTY

34. **Coverage, effectiveness and adequacy of social security benefits must be boosted**, especially for groups at high risk of poverty, such as precarious and self-employed workers, and those exposed to unemployment. Decent minimum levels of income and social benefits must be guaranteed to all. Yet, data show how the social challenges consistently flagged by trade unions still need to be tackled, and this is even more true in a post-Covid scenario.
35. Since 2016 the **public expenditure rate in social protection** proportionately increased, in real terms, less than the GDP in most Member States.
36. **Elderly people** remain extremely **vulnerable**, due to the persistent inadequacy of pension income, which only provides with a relative protection against poverty risk. Even more worrying is the situation of **older women**, as one in five women aged 65+ is at risk of poverty or social exclusion in the EU. The gender pension gap in the EU is 35.7%. Pension adequacy must be promoted to allow elderly people to live in dignity. The demographic challenge must be faced investing in more jobs and quality jobs.
37. **Access to healthcare** was a challenge for millions of people during the peak of the pandemic. The drastic reduction in public expenditure in health and long-term care emerged as outrageous and anachronistic. Indeed, over time governments' expenditure for health has steadily declined. The widening **gap between needs of the population and response of the state** is represented by the share of the population reporting

perceived unmet needs for medical care (due to either too high costs, too long waiting times or travelling distance). **Out-of-pocket payments for health** measured 20% of current health expenditure in the EU.

38. Pre-pandemic data indicated that there are **112 million people** in Europe who are **at risk of poverty or social exclusion**. In the current situation, governments must adopt clear measures to prevent people from falling into poverty. These people will probably be unemployed, having difficulty finding a job for quite a while. Rules on the length and amount of unemployment benefits should be relaxed.
39. **Social protection schemes** are an essential component of a coordinated policy response to the crisis. They stabilise the economy by supporting jobs and income, thus increasing resilience and the likelihood of a quick recovery. It is crucial to boost coverage, effectiveness and adequacy of social protection systems, especially for groups at high risk of poverty, such as precarious and self-employed workers, women and those exposed to long-term unemployment. The implementation of the recommendation on access to social protection must represent a turning point and must be enacted by national reforms that ensure long-term security to citizens.
40. Social security systems are facing unprecedented pressure, while many people cannot get the necessary coverage. Hence, we urge there is a **rethink of social security schemes**:
 - A guaranteed financing of social security systems for at least the whole 2021, through a guaranteed balanced endowment, covering the gap in the social security budget.
 - A larger coverage of adequate social security benefits for all workers, with special attention for freelancers, platform workers, temporary workers and part-time workers.
 - Restoring a level playing field in the labour market, by abolishing different market-distorting systems such as the flexi-jobs and the platform workers' schedule.
41. **Income support** can be provided by extending existing social protections (giving wider access to unemployment benefits and social assistance) for all workers, including vulnerable categories such as self-employed. Ad-hoc payments targeting financially vulnerable groups (e.g. single parents, young people, low-income families and parents facing care problems due to school closures) can be used to replace income and cover urgent needs, thus maintaining the living standards of those most affected by the crisis.
42. The right to an adequate, accessible and effective **minimum income** protection must be guaranteed in the EU, via a **European framework directive establishing common principles, definitions and methods**. Minimum income schemes must guarantee sufficient income to meet the essential needs of people and their dependents and be highly inclusive and accessible; for those able to work, they must be combined with a series of services and embedded within a broader EU and national policy response to active inclusion. EU standards for a minimum income cannot be seen as a disincentive to work.

EUROPEAN PILLAR OF SOCIAL RIGHTS (EPSR)

43. **ETUC is convinced that a strong recovery can only rely on a resilient social model**. To do so, the implementation of the EPSR is fundamental. The Action Plan to implement the EPSR serves as a tool for Member States to address the green and digital transitions and to lead the recovery, also mitigating the negative effects of the pandemic on health, employment, social and economic aspects. **The Action Plan should provide direction, and suggest a common legislation** to be adopted and/or agree on common objectives

within the framework of strengthened cooperation, coordination and solidarity. It should be a milestone of a new social and economic governance in the EU. The European Union needs to develop its own growth drivers, domestically, ensuring a level playing field while also focusing on economic and social upward convergences. A coherent and inclusive strategy is needed to focus on fiscal, economic, environmental and social objectives.

44. **The impact of EU policies should be assessed against the creation of high-quality jobs and wage increases within an upward convergence process among Member States.** Economic and employment stabilizers at EU level would ensure a more balanced economy and would counteract adversities whenever they occur. It is crucial, in this historical period, that the economic governance better promotes and enables social investment and investment in skills, education and training, quality healthcare and social care services, job-search assistance and social protection. Moreover, Social Imbalance procedures should be monitored and addressed through an upgraded/improved Social Scoreboard.
45. CSR 2019 and 2020 have to be implemented with the support and involvement of social partners, and should be considered part of the implementation of the EPSR. In this regard, European trade unions identified some [country-by-country urgent measures and priorities](#). In a nutshell, Trade Unions reiterated the need to undertake long-term and forward-looking reforms and state investments in education, training, social infrastructures, active employment policies, as well as in just transition towards a low carbon and a more environmentally sustainable economy. Fiscal resources are crucial for the financing of a high level of social protection and quality public services. The adoption of radical redistribution policies is recommended, particularly fair revisions of wage, contribution and taxation policies, as well as combatting undeclared work and the informal economy. Tax justice is one of the most frequent topics addressed by Trade Unions. Increased progressivity on personal income taxation (including capital and real estate gains), shifting the tax burden in favour of environmentally related taxation, improving tax collection and enhance the fight against tax evasion and tax avoidance, are considered the main priorities. ETUC demands rapid legislation on EU own resources, through taxes on corporations (especially multinationals), plastics, carbon emissions, digital economy and financial transactions. Moreover, it is time to reverse the overused flexibility of the labour market. Several trade union proposals have the objective of improving the efficiency of the labour market and addressing the country specific challenges, such as public employment services for quick transitions or penalising temporary contracts.

UN AGENDA 2030 and EU SDG8i

45. ETUC has stressed the need to have a Semester process that should better balance social and environmental objectives with economic growth several times. The UN2030 Agenda seems to be the compass to keep such a balance. The RRF will act in line with the United Nations Sustainable Development Goals, to guide and build a more sustainable, resilient and fairer Europe for the next generation. However, we expect that the RRF moves away from the approach of monitoring of SDG implementation and goes towards a real use of SDG according to which the socio-economic dimension of sustainability, this will lead to a quicker transition toward a green and digitalised economy. Moreover, we need to stabilise the EU economy, maintaining high levels of public investments, with a more prominent presence of EU automatic employment stabilisers.

46. To monitor social progress, and resilience in general, the Scoreboard is not sufficient anymore. We propose an ETUC indicator, the EU SDG8 index. It will be a composite indicator that will analyse wellbeing, quality of labour institutions, and vulnerability. Correlations will be defined between the SDG8i, the green deal indicators, the DESI (Digital Economy and Society Index), and trade unions' rights.

ETUC proposes an approach based on:

- a) The reinforcement of the **economic-well-being of people**, pursuing a sustainable economic growth. In this manner the EU could deliver better results in: the fight against inequalities, reducing poverty, having a well-educated population, ensuring access of women to top positions, ensuring universal coverage of social protection systems, and enhancing SMEs within value chains.
- b) Making progress on the **quality of employment**. A healthy labour market should be inclusive for women, young people, migrants, 50+ and other vulnerable categories. It should also ensure fair remuneration of work and the fight against in-work poverty. It should also improve adults' access to VET.
- c) Detecting social risks and factors of **vulnerability of workers**. This comes as a result of workplace rights protection, reducing as much as possible precarious and low paid jobs, mainly ensuring a safe workplace, and removing all forms of discrimination, with particular reference to women.

SOCIAL DIALOGUE

47. A safe, fair and sustainable recovery requires a commitment to supporting social dialogue, both bi-partite and tripartite social dialogue. This includes a commitment to capacity building of social partners and social dialogue institutions. Proper involvement of social partners in developing measures to tackle the covid-19 crisis is crucial, however there is evidence that social partners and social dialogue institutions are being side-lined, and in some cases attacked. Capacity building of social partners, in line with the quadripartite statement, remains fundamental, while the autonomy of the social partners must be fully respected.

48. 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 resilient plans**. 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. Social partners have shown (when properly involved) all their competences and commitment in 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.