**DRAFT: ETUC Resolution for a new Economic and Social Governance of the EU**

Foreword

1. This Resolution updates and replaces the ETUC Position: An EU Economic and Social Governance for a prompt, strong and sustained recovery adopted in June 2020 in response to the pre-CoViD19-crisis public consultation on the revision of the economic governance. The economic and social landscapes deeply changed since then, and the economic governance itself has now new instruments, some of them temporary but which will produce effects for years, some other are doomed to be permanent.
2. As the Portuguese Presidency has announced a new consultation wave to gather views on the new economic governance of the EU, this resolution sets key political objectives concerning the architecture, fiscal, social and environmental requirements that should make the social and economic governance of the EU better aligned to the expectations of European workers.

RESOLUTION

1. **The pandemic has changed the fiscal, macro-economic and social landscape of the globe.** EU response measures mitigated the social impact of the economic contraction, but it left with high debt, a worrying employment situation and higher vulnerability of large groups of the population, while the green and digital transformations call for huge investments. Demographic trends and uncertainties in the global economic outlook are also part of a new landscape that certifies the obsolescence of the economic governance of the EU. The Fiscal Compact has to be considered outdated and the Stability and Growth Pact (SGP) has to be replaced by a new Pact that combines social, economic and environmental aspects of development, following the UN2030 Agenda.
2. **We learned that the deepening of the EU integration needs a stronger social connotation.** In this regard, in the aftermath of the Porto Summit on 7th May 2021, there is a strong convincement that a recovery and transition economy needs a governance that aims at full employment, that fully encompasses the European Pillar of Social Rights (EPSR) Action Plan and that builds on sustainable growth and decent work.
3. **The trade union movement is convinced that the new governance has to promote recovery, fairness, sustainability and resilience.** It has to be a job-rich recovery and aim at full employment, with stable quality jobs and pursuing upward convergence of living and working conditions of Europeans. It has to be sustainable, removing inequalities and eradicating poverty, in an ecologically friendly way. It has to improve social resilience of our socio-economic models with an ambitious action plan to implement the EPSR, in particular promoting collective bargaining and fairer public procurement, and improves monitoring and accountability for results attained.

ARCHITECTURE OF THE ECONOMIC AND SOCIAL GOVERNANCE OF THE EU

1. **A social dimension of the economic governance may need a change in fundamental rules of the economic governance.** Art.148 of TFEU is a weak counterbalance of the strength that the Treaty injects in the fiscal, market ad macroeconomic components of the economic governance. To put remedy, **the EPSR and its Action Plan, endorsed on the 7th of March in Porto, should be integrated in the architecture of the economic governance of the EU.**
2. **It is time to contemplate non-GDP related indicators as the debt and deficit targets (60% and 3% of GDP) loose meaningfulness.** The GDP- related reference values for governments’ debt (60%) and headline deficit (3%) and benchmarks concerning interest rates and inflation rates do not reflect the ambitions of the EU in the economic, social and environmental field. The new architecture can better take into consideration non-GDP measurement that set performance of member states on basis of sustainable well-being, as proposed by social partners in their proposal for “Supplementing GDP as welfare measure: proposed joint list by the European Social Partners”.
3. **At the moment, the governance architecture is richer, fairer and sustainable. It makes the EU more integrated in its economic, social and political components.** It is worthy to learn from ongoing experiences as we have seen that creating automatisms that shelter member states against unforeseen and relevant external shocks can bring benefits to all member states. Stabilizers of public expenditure for investments and social resilience, financed through social bonds, have to find place in the new paradigm of the economic governance of the EU. **EU Taxation can also rebalance social, environmental and economic objectives of the economic governance as proposed in the ETUC Resolution: EU taxation and own resources.**
4. **Other instruments though, such as the Recover and Resilience Facility (RRF), conceived to be a one-off experience, will reverb its effects on the economic governance of the EU for years.** Monitoring of National Recovery and Resilient Plans (NRRPs) will be more stringent than the past national plans as the progressive attainment of milestones and targets will determine the disbursement of RRF tranches.
5. In that regard, **the EU structural funds have to be considered as integrating part of the future governance** as far as they will trigger and support reforms that constitute important milestones in the NRRPs and will thus condition the disbursement of the RRF tranches. For that reasons stronger coordination has to be established between the MFF implementation and the economic governance, and such stronger coordination has to be reflected in mechanisms for social partners’ involvement. The Technical Support Instrument (TSI) should not be a way to bypass involvement of social partners, and TSI’s action should be bound a safeguard clause for collective bargaining and autonomy of social dialogue.
6. **It is time to democratise the entire economic governance.** It means thatthe European Parliamentshould co-decidemacro objectives andpolicies, supervise their implementation and make the European Commission accountable for results achieved. Social partners’ involvement will reinforce the democratic value of the European semester and of the RRF implementation. **The new architecture should clarify the role of social partners in the processes related to the economic governance of the EU.** EU Semester, RRF, common provisions for structural funds, they all provide reference to social partners’ involvement or partnerships without setting a real binding framework for social partners to be involved.

SOVEREIGN DEBT AND FISCAL ASPECTS

1. **The sovereign debt cumulated as response to the COVID-19 economic, health and social crisis should not be considered unbearable** but it has to be treated at European level and seeking for a strong coordination (multilateralism) at global level of macroeconomic policies. The EU governance should include a transition period during which no excessive deficit procedure should be activated and with the possibility to use the “unusual event clause” on a country specific basis.
2. **Single reference values for all member states (such as the Debt/GDP and deficit/GDP ratios) should be abandoned in favour of fiscal targets tailored better reflecting social and environmental challenges of single member states.** Also macroeconomic conditionality has to be replaced by incentives that build on allocation of EU resources, on the RRF model, and reforms that pursue at economic well-being, inclusive labour markets and job security. Therefore, the fiscal rules which should be implemented in a gradual manner once European economies reach their pre-crisis levels, should allow different fiscal targets with the view to stabilise and even decrease interest payments as share of GDP.
3. **A reinforced role for the EU institutions should go along with reinforcement of democratic tenure of the economic governance.** In order to maintain employment and climate objectives, the new governance should be based on partnership frameworks that engage member states and the European Commission, in consultation with social partners, that select country-specific fiscal targets which better reflect the socio-economic situation of the country and fiscal sustainability together with the social and environmental targets of the EU [under guidance and surveillance of both European Parliament and Council of the EU].
4. Furthermore, and more specifically in the Euro zone, the correction of macroeconomic imbalances, especially regarding the current account balance, should be subject to symmetric approaches according to which **excessive and prolonged deficits will be treated as well as prolonged and excessive surpluses**. To that end, fiscal policies should take in greater consideration European economic and fiscal aggregates. Last but not least, the policies aiming at avoiding macroeconomic imbalances (MIP) should be coordinated with the social and fiscal rules.
5. **The issue of debt/GDP ratios could be seen as of secondary order**. Indeed, increased deficit and debt levels can go together with increased sustainability, if matched by fiscal policies that are consistent with the appropriate aggregate fiscal policy in the Euro area and pro-active monetary policy. Therefore, the issue of coordination should not only be addressed with regards to the various fiscal policies within Member States but also between the monetary policy implemented at EU level and the fiscal policies implemented in the various Member States as a matter of fiscal sustainability.
6. **In a new fiscal framework, to be implemented gradually once pre-crisis GDP levels would be reached, room for a golden rule for public investment, to allow net public investment to be financed by debt should be promoted**, while increased EU own resources should be considered[[1]](#endnote-2), if the new European debt is to be repaid, although the ETUC, in coherence with the European Central Bank, would call for the maintenance of a fiscal capacity at the European level.
7. In addition, a public expenditure rule could be considered whereby investment costs would be distributed over the entire service-life, if debt sustainability is at risk, although uncertainty remains on its countercyclical effect, and its impact on growth if sustainable growth-enhancing public, especially net, investments in infrastructure, as well as in universal and high-quality education and training, healthcare and research systems, as well as investments that are aligned with the EU’s long-term objectives of the Next Generation EU (NGEU) and precautionary public, especially net, investments, are not exempt from the expenditure rule. The expenditure rue can be connected to non-GDP indicators.

EMPLOYMENT ASPECTS

1. **The ETUC is convinced that a strong recovery can only rely on a fairer, sustainable and resilient social model.** The European Pillar of Social Rights (EPSR) has to become a compulsory component of the economic governance. **The social indicators on employment, education and poverty in the EPSR Action Plan, together with the reinforced social scoreboard have to become integrating part of the economic governance.**
2. **The new economic and social governance of the EU should be based on full employment with high quality jobs**, fairer income distribution, an inclusive society, and increased public spending and investments, especially delivering quality public health, education and training and social protection for all and protecting vulnerable groups. Within the exit phase from the pandemic crisis specific attention needs to be given to the circumstances of women and young people.
3. **It means that the set of indicators and targets proposed by the EU do not reflect societal risks and social divides that cut across the European society in full**. The Sustainable Growth and Decent Work index of the ETUC provides for a more comprehensive metric that measures impact of the economic governance on economic well-being, inclusive labour market and vulnerability of workers, having care to promote workforce qualification, eliminate gender gaps, promote youth employment, modernise social protection systems and promote upward convergence of wages. The ETUC will work for the EU targets to align to its metric in a way that targets and indicators better reflect the social challenges that the EU has to go through in the coming years.
4. **A social imbalance procedure has to be introduced.** The identification of social imbalances should lead to Country-Specific Recommendations aimed at correcting such imbalances within a given period of time. This can also be done through the monitoring and implementing of social objectives and targets of the RRF as specified in the National Plans.
5. **Short-time work/furlough schemes should continue and be supported with adequate resources.** It is important that they could be combined with activation measures for the participants to these programs. 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.
6. **Tackling gender pay gap is particularly important in this perspective.** In this context social dialogue and collective bargaining are important tools which need to be fully supported at national level, along with binding measures for gender pay transparency. Reinforcing the legislative framework for minimum standards on gender pay transparency will enable an upward convergence within the EU through the economic and social governance mechanisms.
7. **It is crucial that the economic governance supports high coverage, effective, adequate as well as sustainable social protection systems.** Governments’ net expenditure should evolve in line with the needs of an ageing population and employment and has to be reflected in a criteria that qualifies the government expenditure according to the principle of “ageing in dignity”. Indicators supporting the Recommendation on access to social protection, as improved by suggestions made by the ETUC SociAll study paper “Revisiting EU social indicators: a needs-driven approach from a workers’ perspective” (to visit the ETUC SociAll project studies, click [here](https://spa.etuc.org/index.php?option=com_sppagebuilder&view=page&id=23&Itemid=136)), can constitute a good framework to achieve an economic governance that balance adequacy, accessibility and sustainability of social protection systems.
8. **European automatic stabilisers prove to be more effective than discretionary national measures to endure social resilience, and the EU social and economic governance has to reflect this assumption.** Supranational automatic stabilisers such as a European Unemployment Reinsurance Scheme and facilities that stabilise expenditure for social protection and health can be introduced building on the positive experience of SURE, to support countries experiencing asymmetric shocks, thereby avoiding dramatic employment and social consequences, and its feasibility should therefore be explored.
9. **ETUC calls the EU to also use its new social and economic governance framework to ensure the effective implementation of the European Green Deal at national level.** The Commission should regularly monitor and assess the progress made by its Member States towards the green targets and objectives and, in case some gaps are identified, formulate concrete policy recommendations and ensure that just transition measures are in place. Effective social dialogue and collective bargaining where workers are fully involved will be key to develop those just transition plans. In its evaluations, the European Commission should therefore also regularly assess the quality of such social dialogue and provide concrete guidance on how to strengthen the role of social partners in countries where there are problems.
10. **The ETUC welcomes that the EPSR sets a new target of 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. It means that the new governance should establish (among the non-GDP-related indicators) measures that ensure that every EU country introduces measures to ensure: i. the right and access to adult learning for all, including the unemployed; ii. right and access to employee training with sustainable investment by the employers; iii., right and access to different types of paid education leaves. It is important to differentiate between “access to rights/entitlements” and “access to individual learning accounts”.

SOCIAL PARTNERS INVOLVEMENT

1. **The ETUC calls for a stronger involvement of trade unions in the making and implementation of policies that set the EU economy on tracks of social sustainability and resilience.** Looking at the interconnection between different policy frameworks and national plans, the economic governance should establish an overarching principle of partnership with social partners in all areas and process in which the economic governance of the EU operates, such as the EU Semester, the RRF implementation, structural funds, Green Deal etc.
2. **An overarching “partnership principle” should articulate rules for social partners’ involvement at European and national level in all process 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, Climate change plans, operation programmes for structural funds, etc.).
3. In particular, **greater support and involvement have to be ensured to European social partners that for their engagement and representativeness** ensure 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.
4. **Social Dialogue Social dialogue is an irreplaceable tool of balanced crisis management and recovery policy as well as an essential governance instrument with regard to change.** The EPSR should ensure that workers’ rights to collective bargaining and fair remuneration are fully respected in all Member States. It is necessary to set a level playing field within the internal market and trigger an upward convergence of wages and other working conditions also through the European Semester.

**ANNEX: Internal implications of the revision of the economic governance of the EU**

 **Role of TUSLOs.**

1. The revision of the economic governance architecture and functioning will imply the definition of criteria and technicalities that will shape its operational framework. It will combine the need for a rule-based governance with the flexibility needed to meet different situations in member states.
2. Such technicalities may have strong political implications. The challenge is to ensure balanced decisions that while being technically complex are relevant to attain the social objectives set in the EPSR and its Action plan. These technical aspects need further elaboration to define ETUC positions based on awareness of their implications and with a renewed capacity to harness interrelations amid all policy areas.
3. For that reason, the Resolution for a new Economic and Social Governance of the EU sets the overarching ETUC objectives and scope of action while additional upcoming documents (resolutions, discussion papers or technical analysis) will be submitted to the executive committee when relevant. The ETUC proposes that the 3 following papers may be elaborated for the September executive Committee:
* Tackling public and private debt in a post pandemic economy
* Addressing inequalities and fighting social injustice with sustainable growth and decent work
* Social protection: moving from a cost-of-ageing approach to a dignity of ageing criteria.
1. The ETUC Secretariat will advance proposals for the development of these 3 docs having heard the TUSLO and the concerned permanent committees.
2. TUSLO will continue to be the group that coordinates the trade union action in the economic governance of the EU with specific reference to the European Semester and the RRF implementation. They will continue to lead on matters concerning recovery, implementation of the EPSR and the SDGs in Europe.
3. TUSLO’s network will be reinforced and made more strategic. Its action has been reorganised to better focus on a job-rich recovery, fairness, sustainability and social resilience. These 4 areas will be reinforced pursuing a building blocks strategy that will ensure greater influence of the trade union movement in the economic governance of the EU.
4. It implies that TUSLO will need new instruments of work to fulfil new responsibilities. A new project is going to be submitted to the European Commission to finance TUSLO activities for the next 2 years.
5. Still, we have to ensure that all ETUC affiliates have the same chances to participate in the process with same capacities. In that regard, the EU fund for increasing capacity of national trade unions and retaining membership is open to submit requests to ensure funding to cover activities of national trade union officials working on European governance issues.
6. In particular, the ETUC Semester Team will coordinate requests from each member organisation, ensuring these include working days to core activities related to the governance process and, more in detail, a total amount of 110 working days per TUSLO so to cover tasks related to :
	1. Coordination with the ETUC and national union departments in charge of policy dossiers, including internal communication and training for this staff (20 days).
	2. Coordinating, collecting and drafting trade union inputs for the European institutions, including inputs for annual sustainable growth strategy (20 days), country reports (50 days) and country specific recommendations (20 days).

**ANNEX 2: KEY DEMANDS**

Key demands in the architecture of the economic governance

* Including the EPSR in article 148 of the Treaty
* Introducing non-GDP related to measure 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
* Replace macroeconomic conditionality with partnership frameworks between EC and members states
* Democratisation of the economic governance architecture and more role of EP and social partners
* Establishing a 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 to employment until the pandemic and its economic consequences are in place.
* 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 as well as prolonged and excessive surpluses.
* Macroeconomic imbalances (MIP) coordinated with the social and fiscal rules
* Golden rule for public investment, to allow net public investment to be financed by debt should be promoted

Key demands in the social field

* Making the EPSR and its social scoreboard a binding tool of the economic governance
* Introducing 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 access to education and training of adults
* Introducing an “ageing-in-dignity” criteria to qualify government expenditure
* Introducing a social imbalance procedure that leads to social CSRs, corrective measures in NRRP implementation and in-depth review of non-performing countries
* Monitoring Green Deal implementation and ensuring a just transition policy in national plans.
1. [↑](#endnote-ref-2)