

Annexe 1 to the item 8: Inputs for the Joint Employment Report 2022

Adopted at the Executive Committee Meeting of 5-6 October 2021

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 way 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 putting 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 be 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.