

## ETUC FOR SUSTAINABLE JOB CREATION AND SOCIAL PROGRESS

ETUC proposals for the Autumn Package of November 2023, in particular to the Annual Sustainable Growth Strategy 2024, Joint Employment Report 2024 and Euro Area Recommendations 2024

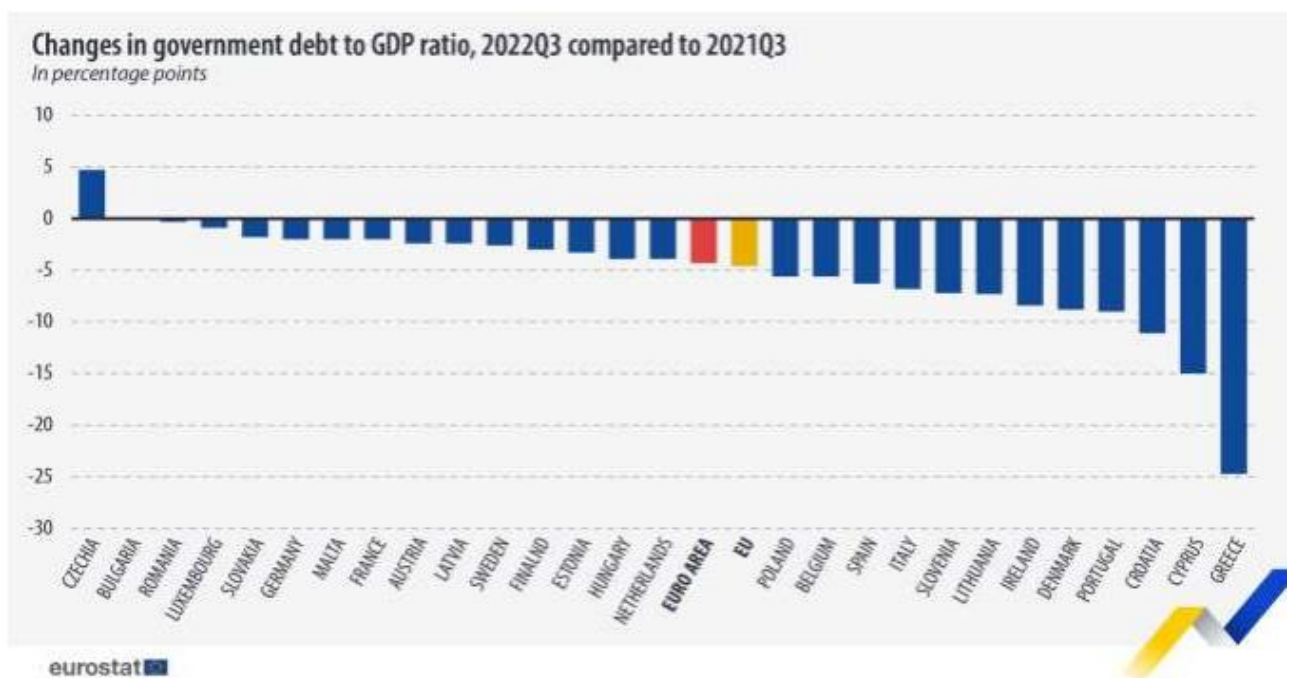
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### OUTLOOK

1. **The European Semester 2024 will deploy again in a climate of high economic uncertainty and geopolitical instability**, whose origins are mainly found in the turbulent international landscape. It brought the EU to refocus its objectives of open strategic autonomy and resilience culminating in an Economic Security Strategy which includes also a Strategic Technologies European Platform. The deep transformation that the EU is going through was well caught by the Foresight Strategic Report which calls for a new social contract that bounds economic and development model of the EU to environmental and social objectives, confirming the prominence of the Green Deal and the Action Plan implementing the European Pillar of Social Rights on the EU Agenda.
2. **Fast going transformations bring new social risks for European workers and households which require new solutions and more solidarity**. The EU has redesigned its energy supply system and reduced dependencies from non-EU partners. This did not shelter households against a sudden increase of cost of energy. All is happening very rapidly, forcing workers into unemployment, through unexpected labour transitions, experiencing a rapid obsolescence of workers' skills and protections and transferring many of the cost of our transformative production to households. This document presents some evidences of social disruption coming from the lack of implementation of just transition measures.
3. **The response to multiple crisis is no happening without social costs**. The current policies on open strategic autonomy and economic security have harmful consequences on respect of human rights and fundamental rights of workers. Diversification of energy supply did not happen without speculations on goods that are key for dignity and well being of people such as energy and food. While all economic, social and political forces are called to produce an effort to go through a new global order, not all financial players are playing fairly and some of them have greedily accumulated excessive wealth as demonstrated by several analysts.
4. **The historical moment we live in requires more solidarity and unity of intents and not an entrenchment into national interests**. A worsened economic global outlook predicts a slowdown of the EU economy whose intensity is still uncertain. Such uncertainty is a reason of concern for European trade unions even more today that member states show some difficulties in continuing (re)acting united and in solidarity. In particular, the EU effort to finance investments and exceptional peaks in social expenditure with EU instruments is leaving space to instruments that transfer fiscal efforts on national budgets, also with the deregulation of state-aids regimes and competition rules that may increase inequalities, disrupt the level playing field of the Single Market with greater sufferance for SMEs and harmful effects on future unemployment levels especially among vulnerable group, so hampering the achievement of Porto's targets on employment.
5. **Together with the expected new economic framework, the risk is to fall into austerity-driven measures that are already threatening the socio-environmental sustainability agenda**. Confronted with such difficulties, financial and political institutions are tempted to repropose 27 national-driven responses that are more likely conducive to austerity measures having lost the solidaristic breath that has characterised the response to the pandemic crisis and the consequences of the hateful Russian invasion of Ukraine. This is at odds with the EU ambitions to design an industrial policy, that is functional to the requirements of the open strategic autonomy and socio-economic resilience. The EU Semester should show the advantages of an enlarged EU budget, with a EU fiscal capacity that serves the common interests of EU citizens also thanks to reinforced EU democratic institutions, with enhanced social dialogue and social targets that bind the EU budget to concrete social advancements.

6. **New fiscal space is necessary for the EU and its member states and should be better coordinated with monetary policy.** Inflation remains a key concern for governments and for workers even if for opposite reasons. Inflation declined from the unexperienced levels of past months to lower levels which are, however, still far from the 2% target. However, price of fundamental goods such as food and energy remain stubbornly high. In particular, inflation erodes workers' and pensioners' purchasing power and sets pressure on social protection systems. The ECB is insisting on a high interest rates policy that penalises workers, destroys jobs especially in SMEs, while neglecting the role of extra-profits and dividends in sustaining high inflation rates (see also Box 1). In the meantime workers are struggling to defend their purchasing powers with only Belgian and Spain record wage trends that catch up with inflation.
  
7. **It should open the way to a revisited economic governance architecture that preserves investments and aims at social progress.** Waiting for the revised Stability and Growth Pact, the Eurogroup is worryingly oriented to pursue a debt consolidation policy drawing resources away from the phasing out of subsidies to families, businesses and jobs to create balance or surplus budgets especially in countries whose government debt is higher. A too quick and immediate consolidation of government debt would submit more than half of the European population to fiscal consolidation. This would be not justified also because the Euro area aggregate debt that is now moving back to 90% of the Euro area GDP, while the EU aggregate stays in a safe position at 85% of the GDP (see graph below). Exactly when countries are called to deliver investments for green, technological and security transitions and preserving jobs and social cohesion, the combined effect of ECB policies and debt consolidation risk to push them into unexpected cuts to government expenditure. The ETUC has already reported about austerity-driven measures announced or implemented in Finland, Germany, Italy, Lithuania, Estonia, Greece (See Austerity Watch on etu.org)



8. **In this regard, the UN2030 Agenda remains the most advanced global framework, and the Green Deal and the European Pillar of Social Rights the flagship initiatives of the EU to step into the sustainability era.** The EU report on the status of implementation of SDGs in Europe showed some progresses but more leadership is needed to set the global development on sustainability tracks. The ETUC together with the ITUC presented a report that shows social and just transition flaws of the EU strategy for development. Against the scenario described above, the EU Semester has to keep momentum for the implementation of the Green Deal and of the Action Plan implementing the

EPSR. The sustainability agenda requires resources for investments and for social stability and resilience. In the new geopolitical context the UN2030 Agenda seems to be the only policy framework that is able to balance all aspects of sustainability. The ETUC has proposed a SDG8-driven approach to the UN2030 Agenda and during the HLPF 2023 proposed an Agenda that increase investments in peace (SDG 16) fight against poverty (SDG1) or increase efforts to fight climate change and protect environment, design just transition measures in line with what defined at EU level (Council Recommendation on ensuring a fair transition towards climate neutrality), that cities are sustainable and rural areas better connected and served by quality public services. Peace, social justice, rights and environmental concerns should stay together as pillar of a single development strategy.

#### **BOX 1: THE DANGEROUS NEXUS BETWEEN MONETARY AND FISCAL RULES**

Monetary policy and fiscal policies are becoming excessively and dangerously restrictive. The ETUC warns that decisions such as the ones envisaged in the ECB and in the Eurogroup of ECB are paving the way to an economic recession for the years to come. While the EU is at the verge of a new fiscal framework, which could imply large cuts in public spending, profit margins, profit shares and profits in general are all increasing inflating dividends when private investment both as shares of GDP and value-added do not follow, and real wages are decreasing.

Tax avoidance is still a widespread practice and proposals to combat it are rather weak. The recent BEFIT proposal is not reaching our expectation while a revision of the pCBCR together with the implementation of public registers of beneficial owners of companies, trusts and similar legal structures are clearly needed in order to increase tax revenue where the value is created.

The ETUC was one of the first to ring the bell concerning profit margins developments as the real drivers of inflation following the COVID episode (supply chains issues and dissaving) and the war in Ukraine. Similar stands were taken by IMF and World Bank. Instead of calling for real changes and regulate price developments, political leaders preferred to leave monetary policy tackle an issue for which it is not equipped. The ECB therefore is raising interest rates and such a move will negatively impact economic development in the years to come.

**The EU Semester 2024 should pave the way for a new fiscal policies in the EU.** Which fiscal policies? Together with increased interest rates, the ETUC fears that calls for a more resilient economies will end up in cuts in public spending, with detrimental social and economic consequences, putting our future in danger. It cannot be said that monetary and fiscal policy are not well coordinated but they are coordinated in the wrong manner, on a restrictive stance which will prove to be detrimental very soon.

The Pre-Covid rules of the Stability and growth Pact cannot come back, on the contrary, lessons have been learned about benefits of EU-financed facilities such as SURE or RFF. However, discussions on the new fiscal framework tend to oppose economic development and fiscal sustainability: the ETUC disagrees with such a view. For the ETUC, preparing our future means investing in the physical and social infrastructures of our economies for a more resilient economic model, an expansionary fiscal policies to fulfil the investment needs for just transitions is absolutely needed.

**The Semester 2024 has to contribute paving the way for a new architecture** of the European economic governance. The ETUC has been calling for a central fiscal capacity well ahead of the COVID crisis. The ETUC asks for a reorientation of monetary policy tackling employment and ecological transition; calls for political leaders in the Council, the European Parliament and the Commission to quickly address the issue of the missing fiscal space expected for the socio-ecological transformation of our economies; calls for more collective bargaining that enables sectoral and national collective bargaining practices (implementing the recent EU directive on adequate minimum wages in Europe) to ensure a fair distribution of income while ensuring only companies who set pay and conditions in negotiations with trade unions can receive public money; demands to submit public-financed investments and subsidies to business to social conditionalities; demands increased taxation on excessive profits, capital gains, more progressive labour income taxation and more transparency and willingness to fight tax avoidance.

## INVESTMENTS

9. **The RRF brought positive results but there are relevant challenges concerning its implementation.**

The RRF has disbursed about €153.4 billion marking a positive contribution to overall investment increase in the EU. However, the ETUC cannot refrain from noting only a fourth of the RRF potential has been released and bottlenecks are slowing down the spending capacity of member states. While only 11% of the milestones across the national plans have been met so far, social objectives either remain underrepresented or reiterate reforms of pensions and unemployment benefit that belong to old austerity regimes, creating widespread unrest among workers as the French case demonstrates. Among them, labour-related measures remain marginal, so just transition measures.

**ETUC members reported on bottlenecks delaying the RRF implementation:** understaffed public administrations, inefficiencies and red-tape delay the implantation of most innovative projects. Corruption, bribing, interferences from criminal organisations, frauds, money laundering present a huge obstacle to the effective implementation of RRF resources. There are also impediments stemming from mismatching between NRRPs projects and local communities' needs; there are difficulties to manage financial flows (for instance creating new assets, not having margins to increase the expenditure needed to operationalise them), and rapidly changing priorities that create time gaps between planning and implementation of specific projects. It is vital that steps are taken to address these staff shortages and ensure the recruitment and retention of properly trained staff and that the hollowing out of the public sector is not an excuse for further privatisation and the increased use of private consultants.

10. In this regard, **a weakness factor of the RRF is the lack of involvement of social partners in the design, implementation, monitoring and evaluation of NRRPs.** Such lack of involvement was reported also in occasion of the adaptation of the national plans to REPowerEU. Trade union are barely or purely formally heard, without a real intention from governments and managing authorities to establish common frameworks of action.

11. **Investments to reinforce the open strategic autonomy and resilience are welcome but should be conditional to job creation and social progress.** The enter into force of the Chips Act will boost investments for strategic technologies. It will activate €11 billion in public investments that would have a multiplier effect on private investment whose final magnitude is difficult to assess. A new Important Project of Common European Interest (IPCEI) on Microelectronics and Communication Technologies was announced in June 2023 involving 14 Member States, with 56 companies, including small and medium-sized enterprises ('SMEs') and start-ups, undertaking 68 projects. The Member States will provide up to €8.1 billion in public funding, which is expected to unlock additional €13.7 billion in private investments. Similar analysis can be made for the Critical Raw Materials Act, the NetZero Industry Act, the Strategic Compass, the STEP. As the medium term objective is to strengthen manufacturing activities in the Union and support the scale-up and innovation of the whole value chain, addressing security of supply and a more resilient ecosystem, **these acts present opportunities and challenges.**

12. **Advantages are well described but it is not clear how much such investments will create jobs. Job creation would be possible under the condition that investments are fairly distributed across the EU and subject to social and environmental conditionalities.** We should not neglect that such an investment effort poses some challenges to European workers as well:

- First of all, the development of new ecosystems will create new jobs whose added value can vary much along the value chain in each ecosystem, so holding risks of polarisation working conditions so that higher qualified jobs take all while low qualified jobs remain under-protected. **In absence of solid sector-level collective bargaining structures solidarity and social justice will be impossible to achieve.**

- Secondly, most of these investments can operate in regime of derogations of fair competition rules with the risk of fragmenting the single market that could be transferred to workers under form of wage inequalities and social dumping practices. Also new measures on investment activation and permitting can provide different forms of dumping either in the dynamics of the internal market or imported from outside when non-EU companies will receive permits to operate in the EU, derogating from social and environmental standards, only because they are assumed to be vectors of strategic technologies. **Signs of divergence are already visible under some indicators of decent work (as monitored by ETUC) or in the social scoreboard, so that social performances of member states between 2021 and 2022 are quite inhomogeneous** (see below).
13. **Investments gaps should address enlarging the sphere of EU-financed investments but unfortunately the EU budget remains undersized. Surely it does not compare to the financial effort that competing economies such a US (with the IRA) and China are putting in place and risk to damage the EU economy.** Other additional €11 billion will be devoted to the development of strategic technologies as the Economic Security Strategy should generate €110 billion of additional investments. The multiplying effect is achieved with the reallocation of resources under the MFF, also with the possibility to redirect resources for economic and social cohesion to big economic players such as multinational companies. Still the resources mobilised are insufficient to attain the objectives of the ESS. The ETUC regrets that no consensus was found on the proposal to establish a European Sovereign Investment Fund. On the contrary, the ETUC is convinced that a EU Sovereign Investment Fund would contribute raising more resources to finance investments that are strategic for the future of the EU and for the future of the EU itself. The EU Semester 2024 should coordinate operational programmes of member states with other EU-financed policies, should be vigilant on the use of structural funds and ESF+ to preserve the original objectives of the MFF, especially those related to social and territorial cohesion, just transition, and labour market inclusiveness.
14. **The Gren Deal remains a flagship of the EU industrial policy.** On the “green” side, the EU effort to meet the COP targets is producing some results, for instance an increasing number of economic activities can meet economic growth and reduction of emissions. In general, the ETUC #EU\_SDG8 index shows that some indicators of the Green Deal improves when job creation and decent work improve as well. However, the ETUC has also demonstrated that the current development model is not fully compatible with the ambitions related to fight to climate change and environment protection. Investment gaps cannot be fulfilled by private actors, on the contrary it is up to national plans to activate public investments that would help orientate private investments toward the 6 priorities of the Green Deal, matching always investments with the financing of just transition measures.

#### BOX 2: correlation between job creation + decent work and 3 dimensions of the Green Deal

The ETUC has measured the correlation between job creation and decent work and indicators that are proxy for drivers of climate change, emissions and mitigation actions. It found that:

Drivers of climate change:

- the #EU\_SDG8i has a positive effect on the share of fossil fuel in gross available energy that can be quantified in a reduction of 0.356% of the share of fossil fuel for +1 pt of the SDG8;
- effect on the domestic material consumption per capita but is a negative effect. Increasing the SDG8 by 1 point corresponds to an increase of 149 kg per capita of domestic material consumption.
- no effect was found on final energy consumption in household.

Emissions:

- The #EU\_SDG8 has a very moderate effect on greenhouse gas emissions per capita.

- It has no impact on the water exploitation index;
- it has a significant impact on the years of life lost (YLL) due to PM2.5 exposure with a decrease of 19.42 YLL for +1 pt of the SDG8 composite.

Mitigation factors:

- The effect is strong on share of energy from renewable sources with an increase of 0.366% for each point of increase of the SDG8 composite.
- Land use is a complex topic and the effect that improving decent work and economic growth can have on this domain should be studied more.
- Pursuing the aim of the Goal 8 has a positive impact on water productivity.

**The ETUC thinks that more investments are needed to create /convert green jobs. Sustainable production models exist and the Semester is a useful policy framework to expand good practices, transfer technologies and multiply good models to achieve change. Inequalities are one of major obstacles to change acceptance (people have no expectation that the green transformation will bring benefits) so there is huge opportunity in planning the green transitions matching it with job creation and better jobs.** There are delays in adapting workers' rights to digitalisations and transformation of work (collective bargaining goes faster, where exists). The Semester should also help investigate failures of the European just Transition Funds whose resources are too often captured by businesses in detriment of main beneficiaries (local communities and workers). Once again, lack of social partners involvement at national and local level is a reason for inefficiency of this and other EU instruments aimed at addressing inequalities and vulnerabilities that high transformative policies fatally produce.

- 15. Learning from the RRF experience, in which social investments are undersized, it is important that the EU Semester defines social investments in a way that, in national plans, social investments are properly financed and implemented in consultation with social partners.** In this regard, the ETUC looks with interest the initiative of the Belgian and Spanish Governments on Social Investments and Fiscal Rules that should already inspire the EU Semester 2024. National plans should set a list of social investments quantifying their impact on government expenditure and describe the positive impact, in qualitative and quantitative terms, making specific reference to *how* and *how much* such investments contribute to the implementation of country specific recommendations and addressing social challenges identified in the social convergence framework.
- 16. Public investment must be taken at current levels at least 3% of GDP and net investments on positive terrain.** The EU Semester should ask member states to be more granular in their reporting on obstacles that slow down the implementation of national Recovery and Resilience Plans as coordinated with National climate and Energy Plans and Just Transition Plans and achievement of Porto's Targets. The net-expenditure should consider that investments to be operationalised need extra current expenditure . This is an issue for budgets of peripheral administrations that receive and have to operationalise assets coming from new investments implemented in the areas they administrate. A specific analysis of these aspects should appear in country reports and national plans.

## CHAPTER 2: A GREATER EFFORT FOR SOCIAL PROGRESS AND UPWARD CONVERGENCE OF WORKING AND LIVING CONDITIONS

Social Outlook: collective bargaining as a remedy against *Greedflation*

- 17. Workers are not getting a fair deal, they are not receiving their fair share, instead they are faced with a cost of living crisis and calls for wage restraint while *greedflation* is caused by CEOs' and corporate profits.** While multinational companies are grabbing the largest part of the global income,

and financial players running avoiding sustainable finance commitments, the wage share of GDP is declining (Figure 1). We are thus witnessing the creation of an unfair market dynamic that will exacerbate instability and inequality, threatening democratic and equalitarian countries.

18. Figure 1: Adjusted wage shares (AMECO)

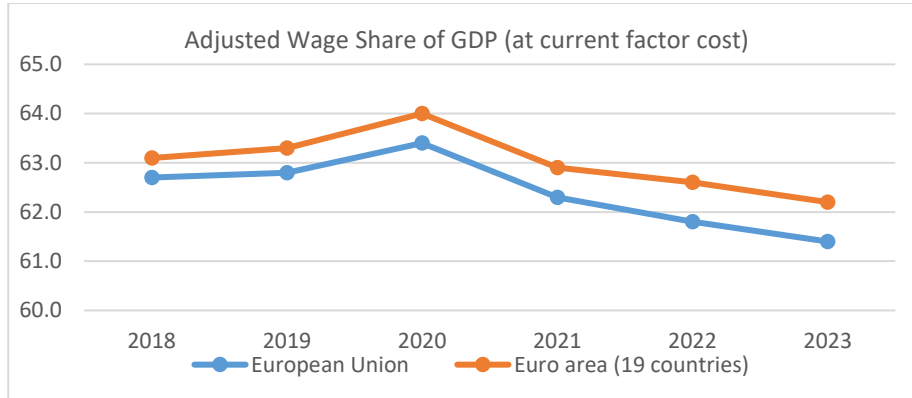


Table 1<sup>1</sup>.

	Dividends Q2 2023	Growth in nominal compensation per employee 2023
Denmark	+66%	+5%
Portugal	+75%	+6%
Austria	+ 95%	+8%
Spain	+33%	+5%
France	+13%	+6%
Germany	+10%	+6%
Italy	+9%	+4%
Europe	+10%	+6%

19. **It's the second consecutive year that shareholders have celebrated bumper pay-outs thanks to the increase in corporate profits which are driving inflation and the cost-of-living crisis. It adds on a trend that already in pre-pandemic era were big financial and non-financial corporations recording disproportionate profits (data have been published by many observers).** Pay-outs to shareholders are rising up to 13 times faster in Europe than pay for working people. Dividend payments increased by 75% in Portugal and 66% in Denmark between April and June this year, while nominal compensation in those countries rose by 6% and 5%. Across Europe, dividends increase by 10 per cent – double the rate at which wages are rising (Table 1)
20. **Several analysis confirm that capital has benefitted from productivity gains quite more than workers. Collective bargaining, where it is well-established and strong, can remedy the situation to a certain extent.** Collective bargaining may increase wages, providing relief to workers and their families. **However, there is an activation problem** that the European Semester may help to address, respecting the autonomy and prerogatives of social partners. Main factors of risk may be: collective agreement renewal can be delayed compared to inflation trends; coverage is not adequate and

<sup>1</sup> Source: Dividends - Janus Henderson [Dividend Index](#) / Compensation - [AMECO database](#)



widespread across the entire economy; employer organisations not available for negotiations; foreign investors interfere with social dialogue practices. Country-based analysis may identify regions and sectors where workers are worse off and, in agreement with social partners, identify policy drivers that put wage trends in line with the cost of living.

21. In many countries collective bargaining is also a labour market regulator. Collective bargaining factually contributes to the achievement of the EPSR and builds on the SDG8-centred approach to the sustainable development agenda as advocated by the ETUC. **Collective bargaining has to be supported in order to set wages on an upward dynamic to preserve purchasing power, protect wage earners against poverty and create a motivated workforce that can adapt to changes.** In this regard, collective bargaining can improve working conditions, improve people's overall welfare, contribute to adequate pensions, and include work-life balance measures. The European Semester should monitor collective bargaining and support the implementation of the Directive on adequate minimum wage in particular to increase coverage of collective bargaining.
22. **Gender pay gap is still one of the great challenges of our times.** There are countries where the gap is too high (i.e. over 20%). The new Work-Life Balance Directive, the Recommendation on access to social protection, and the Pay Transparency Directive will offer an opportunity for a more in-depth monitoring of policies that impact on gender-based discrimination. Women in the EU on average earn 13% less than men. The gender pension gap remains a great concern for the adequacy of pension benefits. The ETUC calls for pushing the EU Member States to establish policies fighting the gender pay gap and all forms of discrimination in wage determination. A substantial effort to improve the pay and conditions in the women-dominated sectors of health and social care would help reduce the gender pay gap while being part of the response to significant staffing shortages. Pension gaps can be even higher and result partially from the gender pay gap but also other factors such as horizontal and vertical segregation in the labour market, unfair pensions' systems, no work-life balance leading to fragmented professional careers.
23. **Collective bargaining for achieving adequate minimum wage is crucial for ensuring contribution capacity to workers and proper functioning of social protection systems.** However, extensive social risks exist for some forms of work and for some groups. The capacity of self-employed workers and platform workers to bargain collectively is still very weak, this impacts consistently their capacity to cumulate contributions for adequate benefits. This circumstance couples with the fact that most solo-self employers in the EU have opted for the non-adhesion to social protection schemes, as the Recommendation on access to social protection foresees a voluntary approach. **The ETUC advocates for the obligation of self-employed to join social protection systems, with the same contributory levels as employees.** The Council Conclusions adopted at the EPSCO of October 2023 confirm that this would be the only approach offsetting social dumping and ensuring social protection rights to all self-employed. In many MS, moreover, policies aimed at incentivising employment foresee exemption from contributory obligations (usually up to the public funds or even non existing) that are detrimental for the fiscal sustainability of the systems and highly negatively impactful on the individual benefit records of the workers.
24. **There is no upward convergence of collective bargaining coverage either and this is a major source of discrimination among workers in the EU.** Collective bargaining coverage must be protected either to promote national and sectoral agreements or enhancing the capacity of collective agreements to provide protections to new form of work on the workplace and in the labour market (gig workers, interns, economically dependent self-employed, temporary workers). Collective bargaining, in countries pursuing upward wage convergence, is also a remedy against in-work poverty.

## Labour shortages and skill matching

25. **The European Year of Skills is an important initiative and it should provide opportunity to EU member states and social partners to discuss about providing effective access to quality training** to all workers to help them in just transitions, ensuring paid trainings within working hours. Social dialogue is essential in ensuring that VET policies have a real positive impact on the labour market. It is positive that the EYS focus on apprenticeship which is a good way to support VET students permeability to the labour market. Both the European Alliance for Apprenticeship and Quality Framework for Apprenticeship were social partners' initiatives.
26. Many policies put the attention on what workers should do for their upskilling and reskilling instead of providing them guidance and support to access trainings, which they need in order to improve the job opportunities, and well-being. **When talking about labour force shortages or skill mismatches, it should not be taken for granted that it comes from supply.** These shortages are not solely the product of economic dynamics; they are, in no small part, a consequence of poor working conditions. Workers are less likely to remain in jobs that offer unfavourable conditions, leading to high turnover rates and a scarcity of qualified employees.
27. Job vacancy rate at EU level is at 2,7%. Unemployment rate at EU level is at 5,9%. In the SOTEU speech was said that « Europe is close to full employment. Instead of millions of people looking for jobs, millions of jobs are looking for people.» This narrative, which speaks about full employment when the number is 6 but don't speak about full occupation when vacancy rate is 3, risks to be biased. Many European companies just fail to offer quality jobs to job seekers. **The so-called mismatch is often more linked to bad working conditions (low wages, precarious contracts, disrespect of workers' rights, working time incompatible with work-life balance, lack of employee training & career development).** But it also linked to discrimination in recruitment processes. More fragrant examples can be brought in the tourism or health sectors. But many other sectors may miss the chance to make of the green and digital transformation an opportunity for work especially for women that are bearing the burden of difficult reconciliation between work and family life especially in the post covid era.
28. There is a lot of focus in EU policies now to "attracting talents". However, 1 in 2 EU jobs demand low skill needs and we know that the least motivated workers to engage with trainings are those who are the low qualified (OECD PIAAC survey). These people will suffer the most from job transitions and they need effective support to access training. However, a recent report shows that there is a potential deficit of 1,5 millions professionnals in the energy transition sectors. In some countries, it's a doubling of number of jobs in these sectors. But the encouraging news is that only 10% of these positions doesn't need qualifications beyond bachelor degree. So most of the needs will concern so called low-skilled workers who can be trained by VET and CVET institutions and also by companies who can train their employees, also considering the massive excess profit made by renewable energy companies, oil and gas companies. They can invest in employee training and ambitious recruitment structures with training at work. This shows that an overfocus on economic migration is a mistake, if the goal is that migrants takes the jobs that locals don't take because of bad working conditions.
29. **Instead of searching for talents, we think that the employers should also use better the potential of the workers because 55% of workers don't use fully their skills (CEDEFOP).** There is a huge underutilization of skills, while key competences (communication, teamwork, creativity, adaptability, etc) are more needed by the employers than strictly professional skills. Overqualification is at 32% in the EU, it's even 39,6% for non-EU citizens working in the EU. It is also needed to avoid skills obsolescence by continuous training in companies, with an inclusive aspect. Those who get trainings are usually the younger, male, white, higher skilled workers. Talents are already there, they are often only underused.

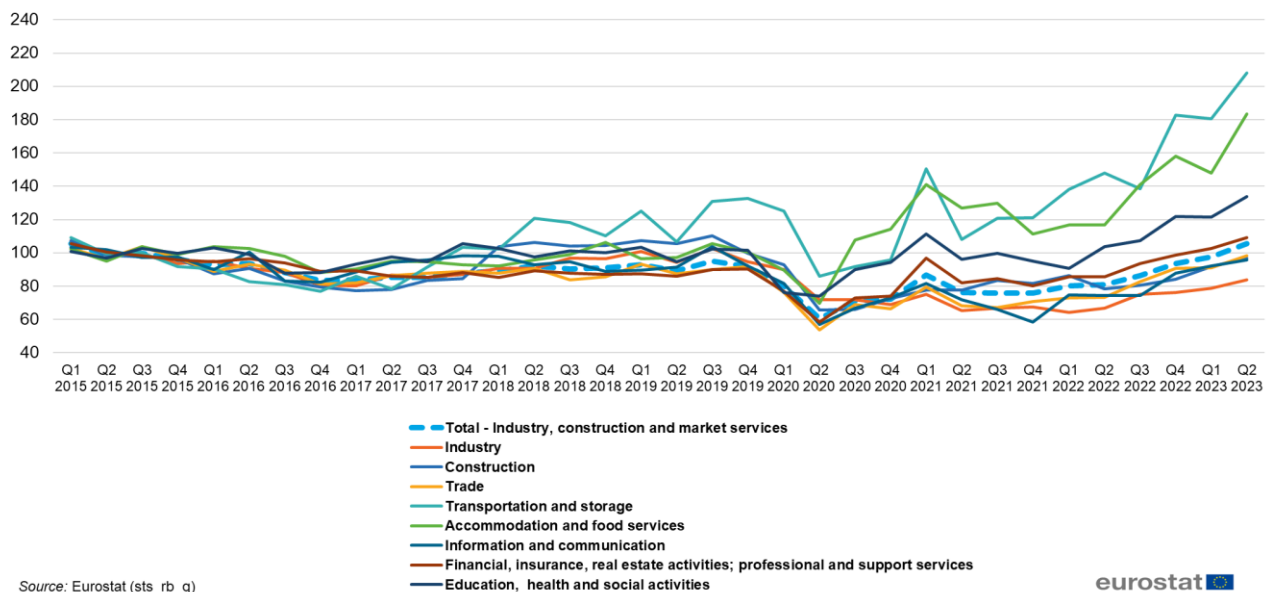
## Mitigating effects of company crisis on employment and working conditions

30. **The combination of austerity-driven decision in the field fiscal and monetary policies risk to multiply cases of company crisis.** The most vulnerable economic actors, such as households and SMEs will suffer from credit crunch and unsustainable debt cumulation. Net of the impact of Spanish reforms on number of reported bankruptcies, SMEs seems to be under financial stress. The reintroduction of (likely revisited) full operativity of the Stability and Growth Pact risk to create situation of crisis in companies providing public services or services of general interest. The ETUC considers this a prominent challenge for the next semester because there are jobs and workers' income at stake.

EU (available countries), declarations of bankruptcies by activity\*, Q1 2015 to Q2 2023

(2015=100)

\*Seasonally adjusted



31. Debts were cumulated to face the effect of the Covid-19 crisis or to meet sustainability requirement, adaptation to climate change, to adapt to external risks or economic coercion. These factors worsened a situation that was already deteriorated by flawed governance practices that too often extracted for shareholders and managers more than what affordable, so undermining the long-term perspective and interests of stakeholders of the company including workers' jobs. Raising in interest rates and greediness of the banking system is leading to a continued fast increase of situation of crisis and bankruptcies (with a rapid surge in the first quarter of 2023). As the rate can fast change country-by-country, we must be aware that relaxation of state-aid rules can deepen distortions and inequalities.
32. **Bankruptcies among SMEs are of particular concern for jobs and workers' protection.** If SMEs are particularly hit by such dynamics, we have to be aware that SMEs have also less means to protect their workers. More workers, whose jobs were productive, will find themselves unemployed or in a painful job-to-job transitions. This would require that labour market institutions and social protection systems provide for solid shelter to all workers and workers are protected against nonmotivated or irregular dismissals. It also implies that new fiscal rules have to cater for resources to finance public employment services and ALMP.

## Main social challenges under the lens of decent growth and sustainable job creation

33. **In terms of decent work, it seems that member states are reacting very differently to the double shock of the pandemic and geopolitical threats.** In some countries, the EU\_SDG8i trends (see graph below) reflect the slower but persisting economic rebound started in 2021 (such as Spain, Italy, Greece, Romania, Hungary, Portugal, Poland). On an opposite tone, the effects of the economic slowdown (almost recession) starts producing negative effects on the different dimensions of decent work in France, Belgium, Sweden, the Netherlands, Denmark, Baltics.

34. **It is necessary that progresses under the decent work agenda is conducive to the attainment of the Porto's targets.** The divergent performances under several decent work indicators may be due to different degrees of social resilience of member states when confronted with multiple challenges. Surely, signs of divergence will worsen in absence of European solutions and common frames of actions that activate common intents and cater for more solidarity and protection in favour of European workers. In the meantime, while some employment targets seems to be at hand, there is no progress toward the other targets on poverty and access to education and training. The latter is improving only in countries that were already advanced in this policy areas and representing unfortunately a minor part of the EU population.

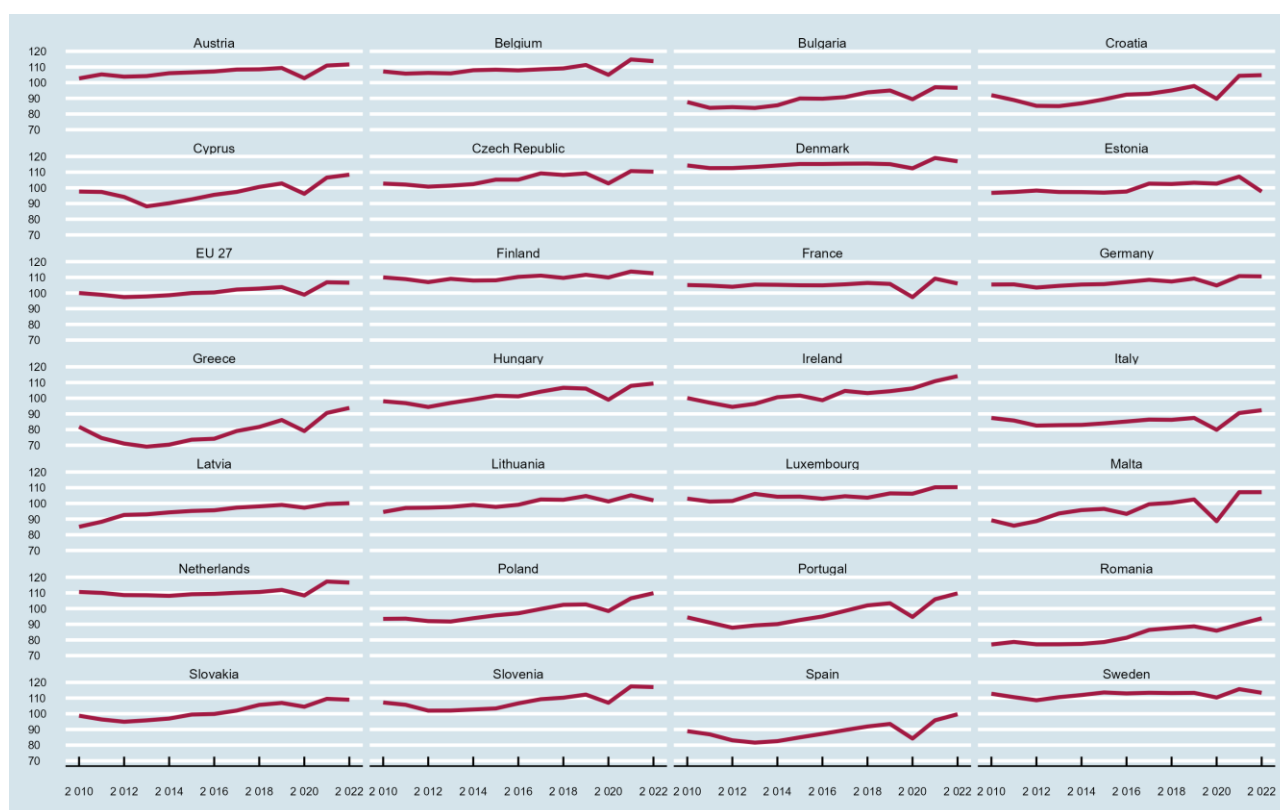


Figure 1: Country-based performances under the Sustainable Growth and Decent Work Index of the ETUC. After a well-visible rebound that was common to all member states in 2021, the 2022 index shows sign of divergence. Some Countries continue moving forward even if a slower pace, while some other countries are moving back.

35. Slight improvement under the Decent Work and Sustainable Growth index, after 2015, reflects the beneficial effect of the relaxing of austerity measures and a sequence of measures that - from the EPSR, to the Green Deal and the NGEU - have progressively brought environmental concerns, investments and social progress within the EU flagship policies. However, beyond the aggregate figures we have noted that the EU development model has still some flaws that should be addressed in the 2024 Semester as this chapter wants to demonstrate analysing the 3 subcomposites of decent work: economic wellbeing, inclusive labour markets and fighting workers' vulnerabilities.

### BOX 3: 12 YEARS OF DECENT WORK AND SOCIAL SUSTAINABILITY IN THE EU.

The EU\_SDG8 index (sustainable growth and decent work) shows a clear improvement from 2010 to 2021 of 6.3 percentage points, however it should be noted that half of the improvement range, was recorded in the two years after the COVID Crisis, possibly pushed up by the massive investment that caused a quick rebound of the EU economy and increased government expenditure for job protection. It means that the EU performance under the decent work and sustainability agenda can be better appreciated in the coming years. While overall progresses under the 3 social dimensions (economic wellbeing, inclusive labour market and workers' vulnerability) were very limited during the decade 2010-2019, a certain degree of convergence was recorded during the last years in coincidence with softening of fiscal constraints, in 2015, and the activation of the NGEU, in 2020.

Going beyond aggregates and country-focused comparative analysis, weighting countries by their population, we discover that the current top 5 countries are home for 47 million people while the bottom 5 countries are home for 143 million people. In particular, **a more granular analysis shows us that divergences are widening from the centre to the periphery of the single market. Such divergence can be more likely attributed to disfunctions of an excessively liberalised (or badly regulated) internal market with a single currency and lack of common EU policies and a limited EU budget to promote investments and evenly protect people cross the EU.**

36. **Employment is apparently stable but huge problems are raising because of company crisis, fast productive transformations and use of flexible working contracts.** Decent work performance of member states are driven downward by indicators such as income distribution, collective bargaining coverage, (more recently) inadequate minimum wages, declining real wages and in-work poverty, involuntary part-time, gender-based discriminations, NEETs. In countries that better perform, some indicators contribute more such as women in apical positions and access of adults to vocational training.
37. **In such regard, the EU Semester should put under observation some new trends.** One of these trends concerns development in the organisation of working time. Collective bargaining is exploring reduction of working time, while preserving wage levels. Working time reductions should go along with hiring new staff so as to not increase pressure at the workplace. Such experiences may be strictly connected to the digitalisation of the economy and are moved by increase of overall productivity and/or by new work-life balance arrangements as matured in the post-Covid era. Collectively bargained measures can be sometimes supported by policy or legislative frameworks.
38. **The EU Semester should monitor such evolutions and ask member states to report on such practices and their strategies to adapt working time to new forms of work** and to generally reduce working time and what protections are given to employees to maintain high social performances, improve working conditions, and reduce inequalities. In particular, the member states should report on how such practices affect gender gaps, and impact employment of young workers. For instance, innovative action on working time are particularly needed as part of the solution to reduce staffing shortages in health and social care where a variety of factors including long shifts and excessive workloads are contributing to burnout, making it increasingly difficult not just to recruit and train new workers but to retain existing skilled and experienced staff.
39. **Staffing shortages are having a major impact across many sectors but particularly in health and social care** where the solutions depend heavily on the scope for member states to have the flexibility around public spending to improve pay and conditions. Eurofound estimates that shortages in these sectors will reach 4.1 million by 2030 if no action is taken and lists nursing professionals as the occupation most cited as suffering shortages across member states.

40. Another trend concerns the pervasive expansion of the platform economy. This kind of economic activities have no frontiers and high capacities to exploit work especially circumventing standard working contracts and bypassing the concept of subordination, so creating wide areas of under-protection connected to the digitalisation of the economy. The attempt of the EU to regulate these economic activities is producing controversial results while **it is important that the EU Semester, building on the work done to fight undeclared work and by ELA, could monitor the spreading of very precarious and under paid forms of work connected to the abuses on work performed via digital platforms.**



Figure 2: #EU\_SDG8 index, subcomposite on economic wellbeing. Income and wealth distribution in the EU remains a challenge. No signs of convergence is recorded along the years while some EU measures that seem to be fairer seem to be relegated to temporary (pro-investment fiscal rules) or one-shot measures (such as SURE or NGEU).

41. When we come to inequalities (the sub-composite in Fig. 2 takes into account GDP growth, income per capita, poverty, role of women in society, SMEs added value, education, social protection expenditure), we observe very limited progresses on the well-being sub-composite but with very different country-based performances that make the convergence almost inexistent. It is interesting to see how the population at the top of the rank is 2/3 of the population residing in the bottom 5 countries. It is a reason of concern the fact that the population at the bottom increased by 32.9 million that is to say that almost 10% of the EU population moved from a position close to the average to the bottom of the scale.
42. In best performing countries, factors that seem to pull the index upward are “presence of women in apical positions” and “level of education” while “distribution of income” is not improving. On the

contrary, in the 5 countries at the bottom of the scale, higher GDP growth rates live together with increasing poverty rates and this poses serious doubts on the fairness and sustainability of the economic model. This analysis seems to be coherent with the social scoreboard indicators on income distribution which is slightly improving after the Covid crisis but with larger distance between to the top and the worst performers. Same can be said for fight against poverty. AROPE indexes do not show significant improvements while the majority of the EU population seems to stay in less performing countries. Poverty is substantially at the same levels of 2020 when the Porto targets on poverty were introduced.

43. Low coverage of sector or multiemployer **collective bargaining** and political instability will likely produce a **wage** gap that will erode purchasing power of workers especially at the bottom of the wage scale while more qualified workers seems to be more likely to gain a skill premium, especially those with science and technology competences (See also box 3).

#### BOX 4: WAGES and COLLECTIVE BARGAINING

Real wages fell in most European countries after record-high inflation eroded most of the nominal wage growth. In 2022, inflation rates in the EU recorded the highest peak (11.5% in Oct 2022), reaching levels not seen before in the previous four decades. After this peak, inflation began falling, but it was still 6.4 % in June 2023 in the EU and 5,5% in the Euro Area.

Households (especially low-income ones) are struggling to cope with the resulting cost-of-living crisis. Almost all EU member states have increased the hourly wage in the last year, but nominal increases were less than inflation, consequently leading to a fall in real wages. Real wages are currently below pre-pandemic levels in most countries.

Inflation impacts real minimum wage. Minimum wages have recently risen in many EU countries (in nominal terms). Real minimum wages have dropped in the vast majority of EU countries as the cost-of-living crisis continues. Especially in times of high inflation, minimum wages (where they exist) need to be regularly revised and adjusted to ensure that they maintain their usefulness. Crisis and recession times make statutory minimum wages all the more important to protect the standard of living of low-paid workers. Moreover, minimum wage is under €1,000 in 13 out of 21 EU member states. Minimum and low wages should reflect at least the soaring cost of living.

In this context, social dialogue and collective bargaining to set adequate level of wages are powerful tools to preserve the purchasing power of workers. Trade unions play an active and constructive part in finding the right solutions to the cost of living crisis through stronger social dialogue and renewed collective agreements.

**The European Semester shall lead to engaging the EU and its Member States to establish a set of measures to promoting collective bargaining to increase wages and adapt production patterns to the new economic context (led by green and digital transitions). The Semester should also ensure that social partners are properly engaged in setting (and adjusting) the statutory minimum wage, where it exists.**

The 2024 Semester should identify drivers of equality, starting from the empowerment of trade unions and reinforcement of collective bargaining. It is important to facilitate the role of social partners in fostering wage developments that mitigate the loss in purchasing power of wage-earners, in particular for low-income workers, to avoid falling below the poverty line.

The ETUC is calling for real wage increases following productivity and inflation developments taking due account to price of fundamental goods such as energy and food. In this respect we do not see any danger of triggering a wage price spiral.

44. Concerning quality employment, the #EU\_SDG 8 index uses basic indicators related to employment rate, collective bargaining coverage, productivity, gender employment gaps, long-term unemployment, labour market slack and employment of recent graduates. During the last 12 years rather than an overall improvement of labour market dynamics some convergence of national performances are recorded. Some improvements may be attributed to the phasing out of austerity

measures after 2015. **Measures such as SURE, RRF and other responses to the Covid Crisis ensured a quick rebound in 2021 but it is unclear how much of the post-Covid dynamics will be made permanent** or they will just reflect the statistical effects of COVID-19 extraordinary measures. The stagflation affecting the EU economy predicts undesired effects on employment levels. The #EU\_SDG 8 index as updated to 2022 data, already shows signs of decline in some member states that should be taken seriously so that EU Semester 2024 could continue maintain high attention on job protection and income protections.

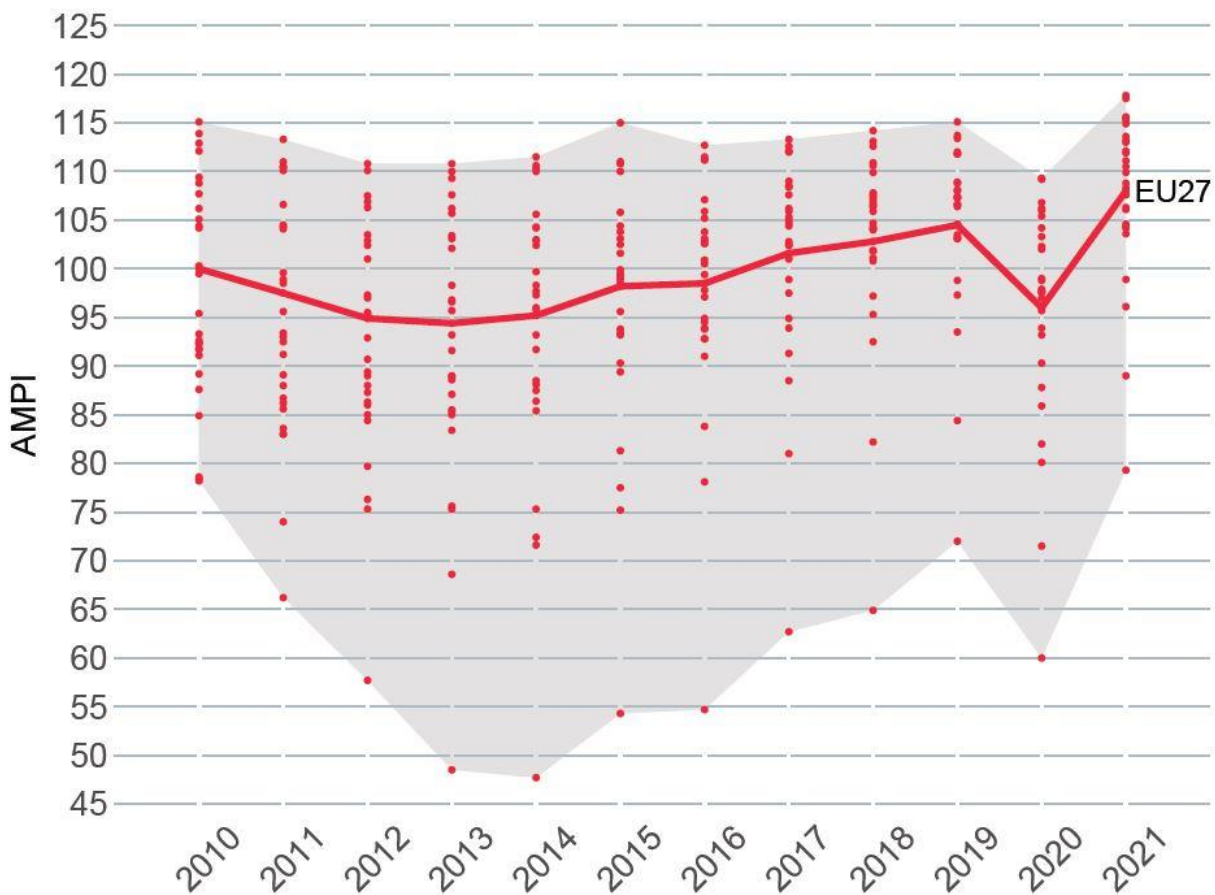


Figure 3: the sub-composite of the #EU\_SDG8 index on employment quality shows that the distance between the top and worst performers has slightly increased during the last 12 years.

45. The population of the 5 countries at the bottom of the scale strongly increased (+27 million vs. +1 million in top 5) mainly because most populated countries moved back to the lowest positions mostly because of the effects of the lasting effects of austerity-driven reforms. Countries with better performances had the possibility to focus on reducing gender gaps and labour market slack while collective bargaining coverage has worryingly taken a declining path in the most recent years.
46. At the bottom of the scale, countries suffer from higher gender employment gaps, long-term unemployment rates and lower productivity. It is a warning for the analysis run in the EU Semester in which often improvement of single indicators in less performing countries are welcomed even if the gap with best performers actually widens.
47. Employment quality can be better evaluated against trends that are radically changing the labour market. First of all, the industrial policy with a new capacity of the EU and member states to re-orientate public and private investments can create situation of crisis in specific sectors while generating lack of workforce in sectors receiving huge investments. If labour market policies and



industrial policies do not go hand in hand such trends will deteriorate and there will be more chances that companies will transform subsidies in profits rather than in job creation. This is one of the most important challenges that semester 2024 has to monitor and address.

48. It is not only an issue of skills, qualification and competence, which, by the way, remains one of the most important policy framework to be implemented. It is also an issue of opportunities in the labour market, good working conditions, incentives to labour mobility and development of infrastructures and intelligence for skill development and skill matching. Investments in public employment services and reinforcement of education is also key. **In this regard is crucial to constructively finalise the Belgian-Spanish initiatives to protect social investments in the reformed fiscal rules.**
49. There is also the need to stabilise and inclusive labour market with quality job creation in order to dedicate more resources and energy to fight gender gaps and create more granular policies to include disadvantaged categories in the labour market. Labour mobility should also be an asset for workers. It means that more infrastructures, rights and economic benefits should be granted to those who exercise free movement and contribute to the integration of the European labour market. In this regard, a social convergence framework can help address such complexity and provide a more granular analysis that is conducive to better targeted measures to achieve material advancement in the social field. **The ETUC invites all member states to constructively engage with the implementation of the social convergence framework already in the EU Semester 2024.**
50. The sub-composite index on workers' vulnerability (which includes accident at work, poverty amid 65+, NEET, involuntary part-time, vulnerable employment, temporary contracts, gender pay gap, care charges on women, adults in training) shows a consistently positive trend over time. Unlike the domains "Economic well-being" and "Employment quality", "Labour vulnerability" does not seem to have been negatively affected by the first year of the pandemic. However, in 2020, some indicators registered a decline (people aged 65 and over at risk of poverty or social exclusion, young people neither in employment nor in education and training, and adult participation in learning), while others registered an anomalous improvement (temporary contracts for people aged 20-64 years old and female ratio of inactive population due to caring responsibilities). The improvement shown by the latter two indicators is mainly due to a distorted effect of the pandemic and not because of an actual improvement of the phenomenon. These effects decisively affect the growth trend in the 2020 composite, which shows a distorted trend, especially in the last two years observed.

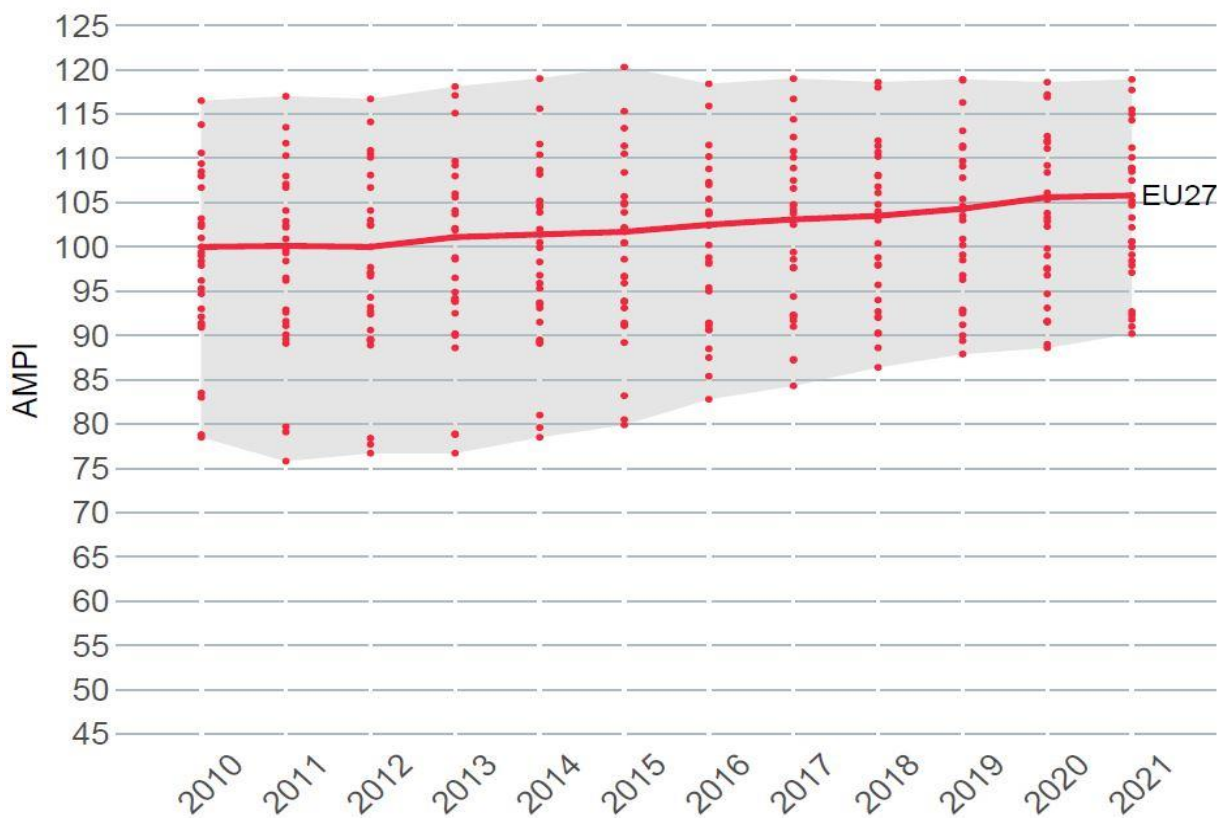
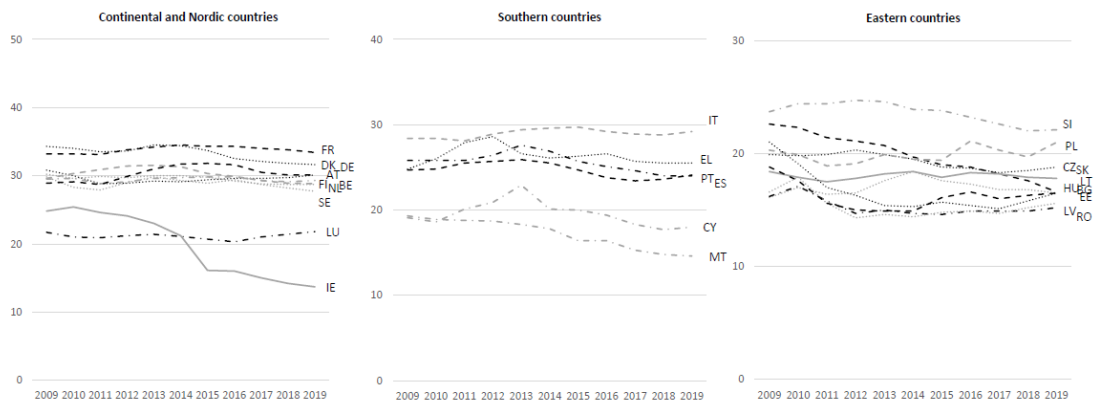


Figure 1: workers' vulnerability shows sign of improvement however it is influenced by the relevant amount of non-worked hours because of the lockdowns and the non-reported accidents during the pandemics. However, despite the apparent convergence almost ¼ of the EU population resides in the 5 countries at the bottom of the scale.

51. The top five states in 2021 had 36.4 million people (8.2 per cent of the European population), while the bottom five had 97.9 million (21.9 per cent). Compared to 2010, the population belonging to the subgroup of the top five countries decreased by 6.7 million (equal to 9.8 per cent of the EU27 population in 2010). The population belonging to the subgroup of the worst five countries didn't change, except for the first year of the time series (in 2010, Spain didn't belong to the bottom five). Sweden, Denmark, the Netherlands, Belgium and Luxembourg are the states most frequently found among the top performers, while Bulgaria, Greece, Romania, Italy and Latvia are the states most frequently found in the bottom five positions. Higher performance: Good performance on adult participation in learning, but increase in involuntary part-time, especially among women. Changes in the use of precarious working contracts.
52. The top five registered (Chart 7) an improvement in adult participation in learning (between 2010 and 2021), while the same period saw an increase in the share of fixed-term contracts. The bottom five countries saw an improvement in labour vulnerability (between 2010 and 2021), a decrease in temporary contracts, but also an increase in the share of involuntary part-time employment. In 2021, wide gaps were still evident between the top five and bottom five performers in many indicators, including adult participation in learning, the share of involuntary part-time, and the share of NEETs, and these gaps have further widened since 2010.
53. As foreseen by the Action Plan for the implementation of the EPSR, in February 2023 a high-level group of experts has delivered the Report on the Future of social protection and the welfare state in the EU, which clearly states that the demographic, climate and digital transitions are not going to be efficiently faced by the EU without a strong and consistent public investment in social protection and public services, able to enhance equal opportunities, protection from poverty and social exclusion, fight to inequalities, greater social mobility. However the trends of public expenditure in for the social dimension haven't been consistent with the real circumstances nor people's needs.

54.

## Evolution of social spending (% of GDP)



55.

56. Source B. Cantillon et al., University of Antwerp, Faculty of Social Sciences 2023

57. Between 2009 and 2019 a slow increase in real GDP per capita all over Europe, corresponded with a stable social spending as a percentage of GDP in continental and Nordic countries, while Eastern and Southern countries experienced important downward trends. Compared to the period between 2016 and 2020 (with the share on average above 41%), in 2021 in the EU the share of total expenditure for social protection declined. In the EU in 2021, expenditure on social protection stood at €2 983 billion, equivalent to 20.5 % of GDP and 39.9 % of total expenditure. By far the most significant group in this division, 'old age' (10.8 % of GDP) relates mainly to pension payments. In spite of the increase in the population 65+ (from 2019 until 2070, the share of people aged 80 or over is projected to more than double to 13%) the indicators on social spending for older people estimated so far for 2030 and 2070 are supposed to decline of 5%.

58. **All European pension schemes are closely intertwined with the labour market, both in terms of calculating benefit levels and in terms of financing.** In view of this, the achievement of the Action Plan's ambitious employment targets would - in addition to pension policy, productivity growth, fair distribution, etc. - have positive impact on the pension systems, and on the achievement of EPSR pension objectives.

### BOX 5: THE PENSION CHALLENGE

**Research shows the key role of a greater integration into the labour market** of NEET, unemployed, young people, women and migrant of all age groups for the sustainability of adequate and performing social protection systems. In the context of demographic change, achieving the 2030 EPSR AP scenario of 78% employment rate would provide concrete advantages offsetting the predicted sharp deterioration in the relationship between benefit recipients and contributors: it would guarantee better dependency ratio in the future and would offer a valid alternative to raising of the statutory retirement age for the sustainability of pension systems.

**EU 2030 Scenario' versus 2021 Ageing Report Population / employment rate / people in employment (including / excluding marginal part-time) / unemployed people / pensioners (EU 2**

		2019	2030 Ageing Report	2030 EPSR 2030 Scenario	2030/2019 Ageing Report	2030/2019 'EPSR 2030 Scenario'
Age group 20-64	People aged 20-64	265.0 m	253.5 m		-11.5 m	
	Employment rate	73.1%	74%	78%	+ 0.9 p.p.	+ 4.9 p.p.
	Employed	193.7 m	187.6 m	197.8 m	- 6.1 m	+ 4.1 m
	of which: not less than 15 hours/week	187.0 m	181.0 m*	194.2 m	- 5.9 m	+ 7.2 m
	share of marginal part-time employment	3.5 %	3.5 %*	1.9 %	no change	- 1.6 p.p.
	Unemployed (extended)**	21.7 m	22.4 m***	15.8 m	+ 0.7 m	- 5.9 m
	Pensioners (incl. disability)****	25.6 m	22.6 m	18.9 m	- 3.0 m	- 6.7 m
<hr/>						
	People aged 65+	91.3 m	109.4 m		+ 18.1 m	
Age group 65+	Employed	4.6 m	8.0 m	8.0 m	+ 3.4 m	
	Pensioners***	90.9 m	106.6 m	106.6 m	+ 15.7 m	

\* Constant proportion assumed (the Ageing Report does not include specifications referring to marginal part-time employment)

\*\* Including jobless persons 'available for work but not actively seeking' and those 'seeking a job but not immediately available for work' (see Eurostat, Labour Market Slack)

\*\*\*Constant proportion assumed

\*\*\*\*The values given in the table differ from the Ageing Report's number of pensioners since there are some inconsistencies in the numbers in the Ageing Report (regarding France and Austria)

**Research shows also the key role of job quality in a more inclusive labour market for all age groups and women for the sustainability of adequate and performing social protection systems.** Marginal part-time employment, for example, usually provides no or only a very low entitlement to social security benefits and no substantial financial contribution is made. ETUC SociAll and Forba calculations show how the achievement of the quantitative employment target assuming that marginal part-time is linked to part-time work of 15 hours per week would substantially relaunch the knot between work and the effectiveness and adequacy of social protection systems.

Achieving the employment target scenarios would imply 7 million additional employees in age group 20 to 64 instead of a 6 million decline. Against the background of massive population ageing and the EPSR 2030 Scenario's assumption of no further increase in the statutory retirement age, the scenario's impact on the evolution of the 'economic dependency ratio' is surprising.

'EU 2030 scenario' versus 2021 Ageing Report. Old-age to working-age ratio / Dependency ratios (EU 27)

	Definition	2019	2030 Ageing Report	2030 'EPSR 2030 Scenario'	2030/2019 Ageing Report	2030/2019 'EPSR 2030 Scenario'
Old-age to working-age ratio	People aged 65+ per 100 people aged 20-64	34.4	43.1		+ 25.3 %	
'Economic old-age dependency ratio (20-64)	Inactive aged 65+ per 100 employed aged 20-64	44.8	54.0	51.2	+ 20.7 %	+ 14.5 %
Economic dependency ratio	Pensioners + unemployed per 100 people employed (not less than 15 hours per week)	72.7	81.2	70.8	+ 11.6 %	- 2.7 %

While the 'old-age to working-age ratio' is expected to increase by 25% between 2019 and 2030 and the Ageing Report's 'economic old-age dependency ratio' by more than 20%, implementing the 'EPSR 2030 Scenario' would allow the 'economic dependency ratio', as defined in the Commission's White Paper on Pensions, to be reduced by almost 3 % over the same period.

### Trade union involvement in the EU Semester

59. **ETUC thinks that trade union should be heard, and actively incorporated into the decision-making process, at the milestones of the EU Semester at both national and European level.** Once the reform of the economic governance and the shape of the EU Semester stabilised, the ETUC asks to open a dialogue with the European Commission to design procedures, qualitative standards and monitoring tools to involve trade union.
60. In particular, the **ETUC and its member organisations** should be given the possibility to get consulted, in coordinated manner, when national trajectories are designed by the European Commission. National trade unions should be then consulted in effective, meaningful and timely manner (and should have the means to be consulted) on the design, designing, implementation, monitoring an evaluation of national medium-term fiscal-structural plans.
61. **The Social convergence framework is an opportunity** to enhance the social dimension to the European Semester but it should be clarified how and when and with what means social partners can contribute to the process. Social partners should be given the possibility to propose specific recommendations in both Euro Area Recommendations and the country-specific recommendations.
62. The ETUC stresses that 3 years since the start of the RRF, lack of involvement of social partners is considered a factor that obstacles the correct implementation of NRRPs. **The ETUC asks a stronger action from the EU Commission to monitor and promote social partners involvement in the implementation of adjustment of national plans to actual needs of companies and workers.**

## CHAPTER 3: POLICY DRIVERS AND ETUC KEY DEMANDS

63. From the above analysis the ETUC is convinced that **Semester 2024 is key to set the EU onto a sustainability path**, setting the basis for a new social contract as envisaged in the Strategic Foresight Report 2023. The Open Strategic Autonomy and a revamped EU industrial policy should be aimed not only at competitiveness but should deliver wide spread benefits to all citizens and preserve the EU Social model which is a tool of competitiveness in itself.

64. **The upcoming Semester has to compensate the ECB and fiscal policies that are restrictive without a real economic justification and conducive to counterproductive austerity-driven measures** identifying fiscal recommendations that preserve investments and current expenditure for social cohesion and just transition. The EU Semester should show the advantages of an enlarged EU budget, with a EU fiscal capacity that serves the common interests of EU citizens also thanks to reinforced EU democratic institutions. It creates the obligation on the EU Semester 2024 to create fiscal space and economic leeway to measures aimed at counterbalancing the hard-to-understand policy choices of the ECB. As inflation is still far too high in many countries, ETUC calls for price interventions. **Member States should introduce or maintain price caps such as caps on housing rents, energy prices, and support in connection with increased financial burdens due high interest rates on household loans.**
65. **The sustainability agenda has to be implemented in all its dimensions** including peace, reinforcement of democratic institutions social and environmental requirements. The UN2030 Agenda is the only policy framework that is able to balance all aspects of sustainability. The Agenda requires the that investments in peace preserves or increase efforts for decent work (SDG 8), fight poverty (SDG 1) create equality (SDG 4, 5 and 10), to fight climate change (SD 13) and protect environment, design just transition measures in line with what defined at EU level (Council Recommendation on ensuring a fair transition towards climate neutrality), that cities are sustainable and rural areas better connected and served by quality public services (SDG 11).
66. **Investments gap is huge and priority should be given to those that create jobs, warrant higher working standards, and transform the EU economy** in way that is compatible with the environment and respect the planet's boundaries. National plans should set a list of social investments quantifying their impact on government expenditure and describe the positive impact, in qualitative and quantitative terms, making specific reference to how and how much such investments contribute to the implementation of country specific recommendations and addressing social challenges identified in the social convergence framework. A specific analysis of these aspects should appear in country reports and national plans to keep public investments above 3% of GDP, net investments in positive territory and to give space, especially to local administrations, to use current expenditure to activate and operationalise investments creating assets under their administration.
67. **We need a EU effort to preserve unity, equality of opportunities and solidarity in the single market.** It requires greater attention to regional disparities and problems that may arrive to specific regions or groups of population, especially those more hit by the fast transformation induced by the flagship programmes of the EU concerning industrial policy and sustainable development. The ETUC thinks that particular attention should paid to the position of women and vulnerable group such as young workers and people with migration background and people with disabilities. In this regard particular importance should be given to the EPSR implementation and its action plan.
68. **The achievement of Porto's targets should be monitored and promoted in the EU Semester** identifying policy drivers together with financial resources needed to accelerate progresses toward the 2030 targets already in the next years having already lost time since the targets were launched.
69. **The Semester 2024 should encourage all economic, institutional and social actors to cooperate to make the EU economy fully compatible with the Green deal requirements while preserving social cohesion.** National plans should be more explicit and detailed on just transition measures and should explain how such measures take into account inputs arriving from social partners or to value experiences of just transitions designed and implemented through collective agreements. National plans should also explain in a specific session the correlation between social variables and green objectives in order to frontload investments that create synergies between social progress and environmental objectives on equal footing. Finally, trade unions should be involved in the design,

implementation, monitoring and evaluation of the Territorial Just Transition Plans – through the principle of partnership already foreseen for EU cohesion funds.

70. **Collective bargaining is more than ever key to modernise labour protections, create jobs, improve welfare and raise wages while removing inequalities.** Collective bargaining plays a key role to create consensus on the transformative agenda of the European economy. The European Semester should monitor collective bargaining performance and eventually recommend to national governments to support collective bargaining and increase its coverage, in coherence with the targets of the adopted Directive on adequate minimum wage.
71. **The European Semester must prioritize the improvement of working conditions,** creating an environment where workers are motivated to stay in their jobs. In doing so, it is possible to reduce the skills shortages that have become a stumbling block to our economies. Member states should be more ambitious in investing in employee training and recruitment structures with training at work. Instead of searching for talents, employers should also use better the potential of the workers because 55% of workers don't use fully their skills (CEDEFOP). It is also needed to avoid skills obsolescence by continuous training in companies, with an inclusive aspect removing forms of direct or indirect discrimination that today limit access to training to specific groups.
72. **A social convergence framework can help address such complexity and provide a more granular analysis that is conducive to better targeted measures to achieve material advancement in the social field.** The ETUC invites all member states to constructively engage with the implementation of the social convergence framework already in the EU Semester 2024.
73. In order to cope with increasing number of company crisis, **the Semester 2024 should ensure that all member states have a solid framework in place for crisis management where collective bargaining and employee participation offer a consensus and right-based approach to crisis management.** That specific EU-financed or guaranteed funds can be created to support, on one hand, viable SMEs and, on the other hand, protect workers' jobs and income. The SURE proved to be a useful tool to support SMEs and workers and it is urgent to refinance and refocus the SURE objectives as in the ETUC proposal for SURE 2.0. In the meantime, the Semester has to prepare member states to introduce such measures to protect SMEs and workers.
74. **The EU Semester should monitor new forms of work,** especially work on digital platforms, and ask member states to report on such practices and their strategies to adapt working time to new forms of work and what protections are given to employees to maintain high social performances and reduce inequalities. In particular, the member states should report on how such practices affect gender gaps, and impact employment of young workers. The ETUC calls for pushing the EU Member States to establish policies fighting the gender pay and pension gaps and all forms of discrimination in wage determination. It is important that the EU Semester could monitor the spreading of very precarious and under paid forms of work connected to the abuses on work performed via digital platforms.
75. **Finally, specific action has to be given to progresses made under the Porto's targets and its sub-targets.** Country reports and national plans should clearly identify challenges and policy drivers and expected progresses year by year, include progresses toward sub-targets as well. They should include the opinion of social partners. Such analysis should lead to the elaboration of country specific recommendation that reinforce a coordinate effort that engage all member states and make the EPSR an opportunity for all European workers. A specific moment of consultation with social partners at European level should be organised on annual basis.

BOX 6: Non-exhaustive list of public investment for sustainability that should be privileged under the new fiscal rules

**Social investments (related to SDG8): Mememployment and skills, Education and childcare, Health and long-term care, Social policies, currently defined under the RRF.**

- Adult learning, including continuous vocational education and training; recognition and validation of skills
- Employment support and job creation, including hiring and job transition incentives and support for self-employment, while maintaining the fight with bogus self-employment
- Modernisation of labour market institutions, including infrastructure, employment services and forecasting of skills and labour inspectorates; employment protection and organisation; social dialogue and wage setting mechanisms; adaptation of workplaces
- Early childhood education and care: accessibility, affordability, quality and inclusiveness, including digitalisation and infrastructure
- General, vocational and higher education: accessibility, affordability, quality and inclusiveness, including digitalisation and infrastructure
- Healthcare: resilience, sustainability, adequacy, availability, accessibility, affordability and quality, including digitalisation and infrastructure
- Long-term care: resilience, sustainability, adequacy, availability, accessibility, affordability and quality, including digitalisation and infrastructure
- Social housing and other social infrastructure
- Social protection, including social services and integration of vulnerable groups

**Investment aiming to achieve any of the 6 objectives mentioned in article 9 of the EU Taxonomy regulation (2020/852), such as:**

- Renovation of buildings, especially in schemes with an integrated social dimension, aiming progressively higher state financial support to households struggling more with covering the costs;
- Greening of transport, esp. modal shift from private to green public transport, especially in areas with lower incomes;
- Decarbonising industry: development of green hydrogen, greening of heavy industries, waste management and circular economy with the creation of high quality jobs;
- Research, development and innovation esp. supporting the greening of economy and energy security;
- Investment to support regions and workers in sectors particularly affected by decarbonisation beyond EU funding, to ensure also good working and living conditions.
- Investment in human capital social infrastructure, such as: health, incl. long-term care to deal with consequences of ageing populations and improve well-being;
- education and training, incl. early childhood care and skills for the green economy;
- housing (esp. when integrating climate objectives as well).

**Other SDG related investments:**

- Investments in rural areas for sustainable agriculture and food production with fair working conditions.
- Investment for an inclusive digital transformation, such as the upskilling/re-skilling workers and citizens to fully benefit from digital technologies
- Inclusive smart cities, with specific references to disabilities, work-life balance, women position in society, sustainable mobility, accessible and quality public services, etc.
- Investments to interconnect rural area, reduce inequalities, addressing depopulation of remote and rural areas, create equal opportunities for education, access to fundamental services and transport in rural and remote areas.