ETUC FOR GROWTH AND SOCIAL PROGRESS

ETUC Package for Early Stage Consultation on Semester 2019

SYNDICAT EUROPEAN TRADE UNION CONFEDERATION

ETUC for Growth and Social Progress: ETUC Package for Early Stage Consultation on Semester 2019 (Resolution)

Adopted at the Executive Committee meeting of 23-24 October 2018

OUR PRIORITIES

A. It is time to highlight the risks that radical nationalist forces pose to the socio-economic development of Europe. The next Semester should focus on and quantify these risks and provide far-sighted political responses.

B. The best response to people's concerns is to support real wage growth and to call for more investments to promote quality employment, to boost internal demand and to let collective bargaining ensuring a fairer distribution of the wealth produced. The EU should help flexibility under the SGP to create fiscal space for the implementation of the European Pillar of Social Rights (EPSR).

C. Social protection policies should provide shelter to all. Poverty in EU must be eradicated as asked by SDGs. In particular, health care and long-term care systems are a source of huge concern and suffering for a growing proportion of the EU population and need immediate action. Adequacy of pensions should be at the centre of the EU action as well.

D. The social dimension of the European Semester should be reinforced through the EPSR and thanks to a

- *A wage offensive in which upward convergence of wages based is achieved through collective bargaining and growing statutory minimum wages where they exist.*
- *Use of the EPSR to pinpoint a job-rich recovery which respect the ETUC criteria of quality jobs.*
- *The removal of all forms of discrimination and in particular of people with a migrant background.*

E. Involvement of social partners at national level is actually poor. Governments should be obliged to consult social partners and the Commission could ask representatives of central governments at appropriate levels to attend consultations with national social partners during national visits.

Internal political risks threatening growth and social progress

The ETUC considers that socio-economic development of Europe can only take place if we all remain faithful to our fundamental values. As the EU elections are approaching, it is important to prove that the best way to achieve more prosperous societies is by working for fairer and inclusive societies; and that our democratic values will continue to be the polar star showing the direction toward sustainable social progress.

Trade unions are concerned that economic recovery may be threatened by radical nationalist forces espousing extreme ideologies. While the EU needs institutional reforms to provide new impetus to the integration project, nationalists focus on pure anti-EU rhetoric. Racism, xenophobia and intolerance feed people's fears and offer a gloomy vision of the future. Society becomes less dynamic, less productive and socially fragmented. Nationalists tend to affirm their ideologies above everything, weakening the rule-of-law principle. Risks may also be detected in the radicalisation of several forms of discrimination and badly governed migration flows that contribute to the decline of national economies. Entrenchment of national interests may exacerbate protectionist measures and cause a further impoverishment of the EU economy. Fundamental rights could be under serious threat.

The risk is that such effects will not be evident within the electoral cycle but will show up in the medium to long term, enabling incoming decision-makers to deny responsibility for the negative effects of today's wrong decisions. The EU should always base its actions on its fundamental values as enshrined in the EU Treaties and within the common constitutional values of Member States. The next Semester should focus on these risks, quantify them and provide far-sighted political responses.

Economic outlook, a fragile recovery

The economy is slowly recovering, but remains fragile, both internally and externally. While growth figures were exceptionally high in the last year, outlooks for the years to come have been revised downward. The IMF projects growth figures to be around 2% for the coming two years. The EU economy is not in good times yet.

Internal demand, investments, productivity, quality jobs, a virtuous cycle that does not start. As a share of GDP, public investment in the EU (2.7%) and the Eurozone in 2017 (2.6%) was well below the previous 10-year average (3.2% and 3.0% respectively). This was also the case in 21 Member States. Public investment should be boosted significantly to compensate for the decline in the years since the financial crisis and to tackle the urgent need for investment in infrastructure and public services. This remains a priority and shouldn't be undermined by any moves to encourage public-private partnerships to plug the gap.

Net public fixed capital formation continues to be negative for the euro area, and slightly above zero for the EU, putting at risk the safety of public infrastructures. According to the European Investment Bank (EIB), EU investment in infrastructure is 20% below its pre-crisis level and 34% of municipalities are reporting infrastructure investment levels below their needs. Globally, EU investment needs in infrastructure, according to the EIB, amount to no less than €335 billion per year. The Juncker plan, acknowledging the need for additional investment, is still relevant, but misses the target in terms of amounts (only 5% of new investments in 2016 and 2017).

If public investments are subdued, the combined effect of the end of the bond-buying programme of the ECB and the statistical effects of GDP trends reduce fiscal space for new investments as member states are expected to fulfil more ambitious fiscal adjustment requirements.

The decline in public investment may be hampered by a new austerity wave[1]. Relaunching the economy therefore means stimulating domestic demand through wage increases and public investment, as the right trigger for productivity increases. The EU must support the so-called recovery with fiscal policies that protect public services and improve quality and accessibility of services of general interest. Otherwise the recovery will not be sustained. It cannot rely on global growth also because of protectionist tendencies and monetary development that will follow central bank policy normalisation.

As the ETUC stressed last year, social consequences of years of austerity measures are today a legacy that are still threatening a fair and sustainable recovery. Total number of hours worked is still significantly below its 2008 level, showing that statistics on employment growth are not able to catch the difficult situation in which workers find themselves today. Households depending from wage earners suffer. Income inequalities penalise women more than me. The in-work at-risk-of-poverty rate is still at a record high while at-risk-of-poverty rates for unemployed people have also increased significantly since the 2008 crisis. Fourteen countries suffer ineffective rates of social transfer to deal with such issues, penalising people with disabilities[2], children[3] and elderly people[4]. The EU2020 poverty targets are unlikely to be met.

The EU economy is unfair. Wage shares for both the EU and the euro area show a decreasing trend since 2012, reflecting the decoupling of wages and productivity developments, at the expense of wages. As inflation rates are recovering (2.1% and 2.3% for the euro area and the EU) very slow and dispersed increase of wages will further reduce purchasing powers of workers and of their families. The bargaining power of employees remains diminished which in turn dampens wage growth. More than half of EU28 records a rate of coverage below the 50% of the workforce. As wages are still the main source of mass income, the benefits of growth in many countries are not broadly distributed.

The ETUC underlines the importance of the continued fight against tax fraud and avoidance. This will provide resources for public investments and additional resources to implement the European Pillar of Social Rights.

The European Semester should find resources to revert economic trends that are penalising workers and households depending from wage earners. International institutions affirmed that the decrease in employment protection and labour market deregulation produced “statistically and economically significant negative effects” on “labour shares”[5]. Recent research estimate that in practice, temporary workers in the EU tend to earn between 10% and 20% less than full-time workers.

Finally, a number of studies also show that centralised bargaining arrangements are associated with lower wage inequality[6].

[1] The slow recovery in private investment because of a lack of interest due to an excess focus on competitiveness, capital intensity declined and thus labour productivity (See ABN-AMRO and McKinsey) “Solving the productivity puzzle: the role of demand and the promise of digitization”, McKinsey Global Institute, February 2018; and “Why is productivity growth so low?”, A. Schuiling, ABN-AMRO, September 2017.

[2] CY, HR, BG, PL

[3] IT, BG

[4] BG, CY, HR, DE

[5] G. Ciminelli, R. Duval & D. Furceri (2018) “Employment Protection Deregulation and Labor Shares in Advanced Economies”, IMF Working paper.

[6] See Hayter, S. (2011) Bargaining in the Global Economy – Negotiating for social justice, Cheltenham, UK and Northampton, MA, USA: Edward Elgar and Geneva: ILO.

Bargaining coverage is another indicator that can influence inequalities: Visser (2015)[7] finds a strong negative association between collective bargaining coverage and wage inequality measured by the P1/P10 earnings ratio and concludes through a study of 32 OECD member states, that coverage would account for 50% of the variance in wage inequality.

An EU emergency: fighting poverty and ensuring adequate and quality health and long-term care systems

Member states should guarantee adequate level of protection always preventing people from falling into poverty and fostering social inclusion of the most deprived. Poverty must be eradicated, depending it from social exclusion or on low wages and poor jobs.
More than 15 Member States show very poor performances in healthcare. Coverage of and access to long-term care is insufficient in several Member States[8]. Informal care dominates the sector, to the detriment of services and female participation in the labour market. Public structures are often missing, however private ones are extremely costly, inaccessible, and often drive to deteriorating services as well as working conditions in the health sector. No substantial investments were contemplated in the past Semester cycle.
Access to health services and to long term care is an EU emergency. The past Semester cycle promoted "rationalisation" and "cost-efficiency"[9],usually implying aggregation of structures, shift of already allocated resources, de-hospitalisation of care, and almost never public investment in personnel and services that would be needed. The EU28 rate of GDP expenditure in social protection and inclusion has steadily decreased in real terms, in spite of an ageing population and higher demand for income support, health and long-term care. Public spending needs urgently to progress in proportion to the most basic human needs and rights to dignified living conditions. ETUC supports collectively funded public health and care, including long term care services.
Ageing populations should lead governments to spend more to protect elders and not less as the current SGP rules ask for. Public investment in healthcare should be proportional to the unmet care needs. Healthcare affordability should be regularly assessed, in relation to the average individual disposable income, including the impact on households of private healthcare where public structures are lacking. Investment in preventive healthcare, crucial in an ageing society, should be promoted and monitored.

With regard to long-term care, the Semester should address the widespread problems of staff shortages, low pay and poor working conditions for millions of workers, mainly women, in particular in home and residential care and monitor the situation of informal carers, and consider investing safe and effective staffing levels, in qualifications, continued professional development and professional recognition. It should also assess availability and affordability of structures with respect to the costs borne by individuals. Indicators should be identified, and benchmarking developed in order to better monitor the performances of how Member States perform on availability and affordability.

Opening flexibility clauses under the SGP for EPSR implementation and fairer labour transitions

The EPSR promises a more cohesive society in more resilient economies, without poverty, thanks to socially oriented reforms and social investments.

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[7] Visser, J. (2015) Data Base on Institutional Characteristics of Trade Unions, Wage Setting, State Intervention and Social Pacts, 1960–2014 (ICTWSS). Version 5.0, Institute for Advanced Labour Studies AIAS. October 2015. Amsterdam

[8] ES, IT, BG, HR, CY

[9] FR

The risk is that, paradoxically, in the aftermath of the solemn approval of the EPSR, there will be no fiscal space for social reforms/investments at a time when the EU still needs fiscal stimuli to restore full sustainable employment.

Moreover, the EU economy is going through deep transformations which demand rapid adaptation by the working population. We need more and better jobs that are attractive for people who have to transit from one job to another or have to (re)skill themselves. It is up to policy-makers and social partners to secure quality jobs that are attractive to people. New investments, either private or public but both aimed at boosting the real economy, should be encouraged to create new quality jobs. At the same time, resources are needed to protect those affected by restructuring, job losses and other adverse changes.

In 2018, many Member States were failing to respect the EPSR. However, new reforms and additional investments are often needed to respond to critical circumstances. The ETUC considers that the overall architecture of the economic governance should be overhauled to make it more responsive to social needs of the EU citizens. Already today, current rules for flexibility under the SGP may still be fit for purpose but some changes are needed in the accessibility criteria to adapt them to the current economic cycle.

The ETUC proposal is detailed in the annex Flexibility under the Stability and Growth Pact to implement the European Pillar of Social Rights. The ETUC proposal includes:

a. Accessibility criteria should adapt to the actual economic cycle and refer to the global imbalances in the single market and the euro area so that none of the Member States could be asked to increase their fiscal adjustment efforts.
b. Countries diverging from the 20 principles of the EPSR should be considered divergent under the SGP as well.
c. Social dialogue, autonomous and independent, should be given a greater role in the design, implementation and monitoring of reforms when social partners wish it.

Thanks to a more flexible but prudential management of SGP rule, the EU should open fiscal space for social reforms that potentially amount to additional €40 billion in the current cycle and up to 90 billion euro by 2021, until the new MFF, adapted to the ETUC requests, will produce its effects.

The ETUC calls for reconsideration of the guidelines for flexibility under the SGP, thus making such flexibility already available to Member States in 2019.

A European plan for quality employment

The EPSR should reinforce investments and reforms for social progress. The Sustainable Development Goals should also commit the European Semester to consider the economic, social and environmental constraints in a more balanced way.

The ETUC recently adopted a working definition of quality work. The purpose of this definition is to raise the profile of work quality as a social and economic policy priority and to serve as a compass in relation to core ETUC employment policy demands inside and outside the European Semester.

As the Joint Employment Report now has a stronger role in identifying challenges and policy options in priority social reforms and investments in Europe, especially in light of the ESPR, the ETUC's input is specified in the Annex 'ETUC's Input for the Joint Employment Report 2019'.

The next AGS should address the following priorities:

Low wages in Europe remain a challenge. Concentration of workers in the lower segment of wage scales and high rates of in-work poverty are a clear signal of inefficiencies in wage setting. This is not the only challenge of EU relevance. The gender pay gap and subminimum wages for young workers are still a major problem. Public sector wages in countries facing problems of public debt or deficit are still seen as a factor affecting central government expenditure. Trends of wage share of GDP deteriorates in all countries and huge differences among member states persist showing that wages are not increasing in line with inflation and productivity. The spread between average wages in low and high-wage countries is abnormal (up to 9 times) for a single market.

The effects of the European Pay Raise Campaign led by the ETUC shows some results in timid positive dynamics of collectively agreed wages in Europe. The Campaign insists on the need for developing stronger collective bargaining systems (in both public and private sectors) and raising (statutory) minimum wages where they exist. Trade unions now expect the European Semester to move in the direction of advancing concrete actions for upward wage convergence in Europe. A European Partnership for industrial relations and upward wage convergence may be of support for triggering country-based actions aimed at reinforcing collective bargaining institutions at national level, as well as address the existing wage divide. Boosted productivity, should stem from more investments in infrastructure, education, training, health, research. Productivity gains should be reflected in increased workers' remuneration, including for those employed in the public sector thanks to policy and legal frameworks that support collective bargaining. Capacities of social partners should be supported also earmarking MFF resources for the exclusive use of capacity building actions. A wage offensive in Europe could be supported by a working group which includes European Commission, member states, ECB and social partners.

The state of health of the labour market is a source of great concern. Firstly, there are wide imbalances throughout the single market, which affect working conditions and effectiveness of labour markets. Secondly, there is a difficulty in harnessing effects of technological change because of the lack of quality jobs and years of reforms that have inhibited collective bargaining and pro-jobs reforms: transitions from one job to another is too slow and too often leads to less qualified jobs. Finally, increasing discriminations risk reducing the level of participation of specific - but relevant categories - of workers like women with children and migrants. The latter are victims of increasing discriminations. The Semester should coordinate policies for retraining and upskilling of workers whose competences become (or risk of becoming) obsolete, and protect new forms of work.

Standard employment contracts – i.e. full-time, open-ended contracts – continue to be elusive in large portions of European labour markets. Around three-quarters of temporary employees are involuntary temporarily employed. Involuntary part-time work is still very high at around 20% of total employment. Women are more penalised that men. It requires legal frameworks and incentives to ensure that workers can benefit from reliable and stable working contracts

The European Semester should analyse in greater detail the effects of technological change and digitalisation on the labour market. It is important that the Directive on Transparent and Predictable Working Conditions is swiftly adopted.

But it is not enough. Technological change may create opportunities for new or better jobs, or safer workplaces, but we have to admit that today it is often associated to precarious jobs. The European Semester cycle should look at the working conditions of atypical workers and self-employed workers and put forward recommendations aimed at removing obstacles which prevent these workers from joining a union, bargaining collectively or benefiting from the extension of an already-existing collective agreement.

Unemployment remains high especially among women and young workers. More should be done to offer opportunities to job-seekers.
Labour market policies should deliver more quality jobs protecting existing jobs and ensuring quick transitions from unemployment to stable and reliable working contracts. ALMP-related CSRs on access to employment in the European Semester 2018 were positive developments, however 2019 must be the year this is developed. ALMPs are essential to delivering a whole range of employment and social objectives. However, there appears to be no appreciation of how these should be formulated as part of a broader investment plan for 'sustainable and inclusive growth' and how their financing can be structured to be counter-cyclical and therefore stabilising for European economies (see ETUC proposals for flexibility under the GDP for EPSR Implementation, instead).

A fundamental cornerstone of the 'European social market economy' is the protection for workers who find themselves out of work. And yet the gaps that exist between the rights of different workers in Europe, in relation to this safety net, are profound. The European Semester 2019 should remedy these long-standing structural problems, throughout the current cycle for unemployment benefits that prioritise three principles:

1. The prevention of poverty when workers lose their jobs;
2. Flexibility in relation to increasingly deregulated labour markets so that there are no delays to access in a context of ultra-short-term – and in some cases non-existent – employment contracts.
3. A counter-cyclical approach so that periods of relatively low unemployment generate the necessary public capital to prevent austerity during economic downturns.

ETUC member organisations observe inequalities in access to training for workers at workplace level in both private and public sectors. Therefore, the ETUC wants to ensure: right and access to training guaranteeing high-quality employee training for all workers, in particular low-skilled ones, including paid educational leave; a real skills guarantee allowing low-skilled workers to obtain at least certified basic skills and key competences; effective social dialogue on vocational education and training (VET) to consolidate efficient governance and sustainable investments in education and skills; improving the quality, attractiveness and inclusiveness of VET systems and achieving quality apprenticeship places in Europe in line with the European Quality and Effective Framework for Apprenticeship and Riga Conclusions (see also ETUCE priorities for AGS 2019).

Also, to make the implementation of the Youth Guarantee coherent with some of the Commission CSRs from the previous cycle, the following aspects should remain in the coming one: tracking the implementation of the YG among the youth migrant population; fighting segmentation of the labour market by boosting open-ended contracts for young people.

The Semester should thus monitor Member States' progress in legislation and scheme-design ensuring *formal* access to social protection.

The Commission proposal for a Council Recommendation on access to social protection addresses the issue, encouraging Member States to adopt the necessary measures to remove the gaps that prevent workers enjoying social protection rights. The ETUC strongly supports such an initiative.

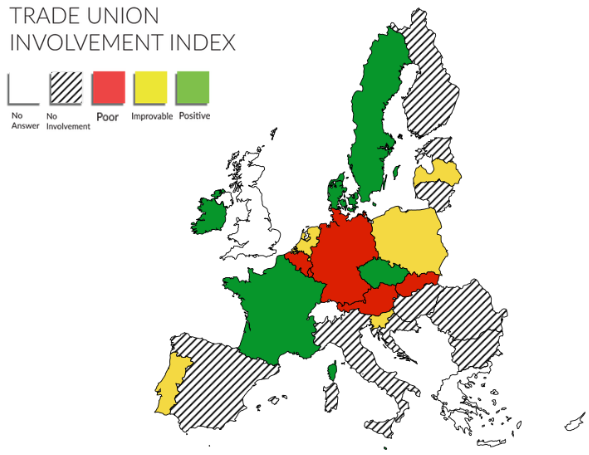
The ETUC insists that *effective* access to both adequate and sustainable social protection must be guaranteed via more and better integration into the labour market, thus more and better jobs (see also ETUC position on the upcoming Joint Employment Report). The Semester cycle should monitor such features, with special attention to the situation of the mass of atypical workers and self-employed, but also the phenomenon of in-work poverty and its impact on public expenditure for social protection and assistance.

With respect to pensions, the fully-funded systems and those based only on contributory entitlements seem to be unable to ensure adequate pension levels and coverage in a fast ageing Europe.

This calls for more flexible fiscal rules, with a substantial contribution from Member States towards pension adequacy for all. Non-indexation/revaluation of pensions and equalising the statutory retirement age leads to reduced coverage and adequacy of pensions. The social consequences are seen in the 2018 Pension Adequacy Report: increased risk of poverty among elderly people, especially women, low-skilled workers, atypical and self-employed workers.

Full and fair participation of women in the labour market guarantees the sustainability of the EU social model. The fight against gender-based discrimination is a priority that should be addressed, as well as reinforcing the EU *acquis* on non-discrimination and work-life balance and planning tailored-made solutions to problems in specific Member States through National Reform Plans and CSRs.

State of Trade Union Involvement in The Semester



Involvement of social partners at national level should be improved. Trade union involvement is neither systematic nor coherent with the milestones of the Semester. The Trade Union Involvement Index 2018 (based on the Semester cycle just ended) shows that out of 25 countries scrutinised, only 6 provide a satisfactory level of involvement. In the other countries, the degree of involvement is either zero or totally ineffective (14) or could be improved (5 countries). The main reasons of complaint are that governments do not reply to requests regarding consultation of social partners, and if a response is received, in the majority of cases the format of the dialogue is inadequate or the timing insufficient.

Even at European level, although the intensity of the dialogue improved, ETUC's observations shows that trade union demands, often remain unheard.

The multilateral surveillance review in EMCO still shows some flaws where methodology and conclusions are concerned, as they are unable to make a clear distinction between social dialogue in policy making, social partners involvement in the semester, and the role of collective bargaining at national level. The ETUC has advised EMCO and the European Commission that the main objective of this exercise is to reinforce the rights of social partners to be consulted at the milestones of the semester and when applicable during the Excessive imbalance procedure.

In line with the Quadripartite Declaration A New Start for Social Dialogue, the ETUC demands a European rule that obliges central governments to consult social partners especially before the National Reform Programmes, Stability/Convergence Programme, and on CSRs. In the meantime, starting the 2019 European Semester, the Commission could ask representatives of central governments at the appropriate level to attend consultations with national social partners during national visits.

ANNEX 1

ETUC inputs for the Joint Employment Report 2019

Adopted at the Executive Committee meeting of 23-24 October 2018

CONFEDERATION SYNDICAT EUROPEÆN TRADE UNION

ANNEX 1:
ETUC INPUTS FOR THE JOINT EMPLOYMENT REPORT 2019

Adopted at the Executive Committee meeting of 23-24 October 2018

A European plan for quality employment

In December 2017, the ETUC adopted a definition of quality work (1). The purpose of this definition is to raise the profile of work quality as a social and economic policy priority and to serve as a compass in relation to core ETUC employment policy demands inside and outside the European Semester. It is not enough to merely say we are in favour of quality jobs; we must launch a discussion at the European level about what this practically entails.

The ETUC definition is detailed and clear six-point definition, which is elaborated below. Over the come years these political principles will be elaborated with benchmarks and indicators.

The European Pillar of Social Rights (EPSR) was proclaimed during the previous European Semester cycle (2018). The proclamation in Gothenburg in November 2017 commits all EU Member States to pursuing the 20 Principles laid out in the EPSR. There is a clear focus on job quality and an enhanced ambition for active labour market policies (ALMPs). The EPSR should reinforce investments and reforms for social progress. The Sustainable Development Goals should also commit the European Semester to consider the economic, social and environmental constraints in a more balanced way.

The EU Employment Guidelines were updated in July 2018 as a direct consequence of the EPSR proclamation. While the ETUC was critical of some aspects of this revision (see our position of March 2018) (2), the new Employment Guidelines stated objective was to boost the status of job quality while providing a roadmap towards the headline Europe 2020 targets. Job quality was the major priority alongside the role of robust social dialogue mechanisms in achieving this goal.

Delivering on job quality

In pursuing more quality jobs, the Joint Employment Report 2019 should elaborate and then integrate a working definition of what quality jobs looks like. We invite the Commission to use our six points covering:

- Fair wages
- Work security via standard employment and access to social protection
- Lifelong learning opportunities
- Good working conditions in safe and healthy workplaces
- Reasonable working time with good work-life balance
- Trade union representation and bargaining rights

[1] https://www.etuc.org/en/document/etuc-resolution-defining-quality-work-etuc-action-plan-more-and-better-jobs
[2] https://www.etuc.org/en/document/etuc-position-proposed-employment-guidelines-revision

Fair wages

Trends of wage share of GDP continues to deteriorate across Europe and huge differences among member states persist showing that wages are not increasing in line with the ETUC golden wage rule (i.e. at least inflation plus productivity). The spread between average wages in low- and high-wage countries is abnormal (up to 9 times) for a single market.

Low wages in Europe remain a major challenge. Statutory minimum wages remain below the 60% f the median wage threshold almost everywhere where they exist, with the only few exceptions. MW levels are often at the root causes of in-work poverty which is too high at European level (bit less than 10%) with worrying spreads among MS. concentration of workers in the lower segments of wage scales and record high rates of in-work at-risk-of-poverty are a clear signal of problems in wage setting, attributed to poor collective bargaining coverage or excessive decentralisation (in countries with well-structured collective bargaining the risk that wages are the cause of in-work poverty is lower)

The gender pay gap and sub-minimum wages for young workers are still a major problem. Public sector wages in countries facing problems of public debt or deficit are still seen as a factor affecting central government expenditure. Analysing countries having in mind: respect of the rule inflation+productivity, wage and earning gaps, levels of SMW and concentration of workers in low segment of wage scales, and wage spreads based on discrimination we observe that all EU member states need urgent interventions in at least one of these domains.

The effects of the ETUC's Pay Rise campaign shows some results in collectively agreed wages in Europe. Trade unions now expect the European Semester to move in the direction of advancing concrete actions for upward wage convergence in Europe, by supporting and reinforcing collective bargaining and extending the numbers of workers covered by collective agreements.

In agreement with the social partners, country-based actions should aim at developing stronger collective bargaining systems at national sectoral level and raising (statutory) minimum wages where they exist. Minimum wage systems, where they apply, should seek to increase minimum wages to converge towards living wage levels, through mechanisms fully involving social partners in minimum wage-setting.

Productivity rises should stem from additional investment in infrastructure, education, training, health, research and development. Productivity gains should be reflected in increased workers' remuneration, including for those employed in the public sector thanks to policy and legal frameworks that support collective bargaining.

Work security via standard employment and access to social protection

Standard employment contracts—i.e. full-time, open-ended contracts—continue to be elusive in large portions of European labour markets. This is especially the case for young workers, women and many workers with a migrant background.

This is a direct consequence of the deregulation of labour markets that was pursued in response to the crisis and has been implemented in many cases via previous cycles of the European Semester. The 2019 cycle must address this ultimately with CSRs that aim to promote standard employment with working contracts that are stable and reliable because supported by a legal framework that offer real protections against unwarranted dismissals, and transparent and predictable working conditions.

Temporary employment rates as well as involuntary temporary employment rates have been continuously increasing since 2012 in the EU and the euro area. Around three-quarters of temporary employees are involuntary temporarily employed. Part-time work, while slightly decreasing of late, is still very high at around 20% of total employment.

Self-employed workers and atypical workers: whereas 12 Member States have legislation which offers unions (in specified occupations) the right to negotiate collective agreements or similar types of settlement for self-employed workers and atypical workers, these labour categories are denied the right to bargain collectively in any sector in at least four EU countries (Denmark, Ireland, Netherlands and Spain). Competition law, based ultimately on the EU treaty, has had a damaging impact on collective bargaining, with competition authorities intervening to prevent unions signing agreements. Tensions between labour law and competition law should be removed, especially because new technologies are having an impact on work organisation and it makes more difficult to use old legal categories to well protect workers employed in new forms of work.

The European Semester cycle should look at the working conditions of atypical workers and self-employed workers and put forward recommendations aimed at removing obstacles which prevent these workers from joining a union, bargaining collectively or benefiting from the extension of an already-existing collective agreement.

The European Semester should take account of recent evidence on access to formal and effective social protection, in the light of relevant EPSR principles. The Commission proposal for a Council Recommendation on access to social protection addresses the issue, encouraging Member States to adopt the necessary measures to remove the gaps that prevent workers enjoying social protection rights. The ETUC strongly supports such an initiative and calls for in-depth debate at national level on how to guarantee comprehensive social protection schemes. Schemes must be solidarity- and equality-based, highly inclusive, adequate and sustainable. A job cannot be considered to be of high quality if these protections are not in place. The Semester 2019 should therefore monitor Member States' progress in legislation and scheme-design ensuring formal access to social protection.

Lifelong learning opportunities

ETUC member organisations observe huge disparities in access to training for workers at company level, making it difficult for those most in need of training to improve their skills, qualifications and, beyond, career prospects and earning potential. Therefore, the ETUC has put forward the following demands for the post-2020 education and training strategy and the future Country Specific Recommendations:

Implementing the 1st principle of the European Pillar of Social Rights to ensure that "Everyone has the right to quality and inclusive education, training and lifelong learning in order to maintain and acquire skills that enable them to participate fully in society and manage successfully transitions in the labour market."
Ensuring rights and access to training guaranteeing high-quality employee training for all workers, in particular low-skilled ones, including paid educational leave.
Issuing a strong, real Skills Guarantee, allowing low-skilled workers to obtain at least certified basic skills and key competences.
Investing in education and training at national levels with effective social dialogue on vocational education and training (VET) to consolidate efficient governance of vocational training at all levels.
Improving the quality, attractiveness and inclusiveness of VET systems and achieving quality apprenticeship places in Europe in line with the European Quality and Effective Framework for Apprenticeship and Riga Conclusions.

In accord with the adoption of the European Pillar of Social Rights, the Semester should follow up implementation of point 3, article 4: "Young people have the right to continued education, apprenticeship, traineeship or a job offer of good standing within four months of becoming unemployed or leaving education". Special emphasis should be placed on the following elements:

Meeting the four-month deadline to provide an offer to young people.
Making available all opportunities listed in the European Council Recommendation to the young people enrolling in the Youth Guarantee (YG).
Reaching out to those beneficiaries who are most in need of the YG.

Implementation of the Youth Guarantee should be done coherently with some of the 2018 CSRs, including tracking the implementation of the YG among the youth migrant population and fighting segmentation of labour markets by boosting open-ended contracts for young people.

Good working conditions in safe and healthy workplaces

Excellent working conditions with world-leading levels of occupational health and safety (OSH) should be the ambition for all Member States. Yet many thousands die prematurely every year and many others endure poor conditions. Clearly, the European Semester is not the primary avenue for addressing this, but what it should be doing is adapting EU economic governance to the reality of modern work and, critically, guiding economic and investment policy towards delivering on a broader OSH agenda.

As an example, this could mean addressing investment shortfalls and tackling long-term unemployment by pushing Member States to remove asbestos from public buildings, including schools. Many directives on OSH are currently being revised. Economic governance should take note and synergise with this important work.

There are wide imbalances throughout the Single Market, which affect working conditions as well as the effectiveness of labour markets.
In addition, there are challenges in harnessing the effects of technological change because the social investment has been lacking to facilitate transitions to new, quality jobs. This includes years of reforms that have inhibited collective bargaining.

The European Semester 2019 should focus on the effects of technological change and digitalisation on the labour market. It is important that the Directive on Transparent and Predictable Working Conditions is swiftly adopted. But it is not enough. Technological change is too often associated with precarious jobs. The Joint Employment Report should look at the working conditions of atypical workers and self-employed workers and put forward recommendations aimed at removing obstacles which prevent these workers from joining a union, bargaining collectively or benefiting from the extension of an already-existing collective agreement.

Reasonable working time with good work-life balance

Working time is an increasing challenge. Total hours have not recovered at all from the crisis despite increased employment and growth of the labour market – a fact which explains some of the precariousness in labour markets. In short, there is less work being shared by more people.

At the same time, some people are suffering burnout from excessive work. The ETUC is therefore launching a discussion on working time and how work can be more equitably spread. The Commission should do the same and address the issue in Country Reports 2019.

Full and fair participation of women in the labour market guarantees the sustainability of the EU social model, yet the problems to be addressed at national level are many and various, for instance: shortages of childcare facilities in Austria, uneven distribution of family duties in Malta, low wages in Bulgaria, career progression in Denmark, poor legal frameworks in Estonia, low collective agreement coverage in Germany and Latvia, higher numbers of women in precarious positions in Italy. In some countries like Cyprus and Spain, the gap has closed only because of a radical decline in men's working conditions. The fight against gender-based discrimination is a priority that should be addressed in all member states, as well as reinforcing the EU acquis on non-discrimination and work-life balance and planning tailored-made solutions to problems in specific Member States through National Reform Plans and CSRs.

Trade union representation and bargaining rights

Most countries continue their declines in collective bargaining coverage. However, in some countries it is flourishing again and wages have a central role in trade union demands. A number of topics have been addressed during the most recent collective bargaining rounds: higher increases for lower wage-earners, coverage and working conditions of new forms of jobs, transition from precarious towards stable employment, new forms of protection (especially through occupational welfare schemes). Most innovative collective bargaining rounds also addressed modernisation of working time patterns and smart organisation of work (coupled with pay rises).

The establishment of a Partnership to promote collective bargaining is one of the key recommendations emerging from the ETUC Wage Alliance Conference held in Sofia in June 2018. The strategy is to build a better understanding and political consensus around a vision of a revamped European social model that firmly recognises the benefits of collective bargaining, not only for workers and companies, but also for the successful performance of national economies and the EU economy as a whole.

Membership of the Partnership should include the ECB, the Commission and the Council (ministers of labour and finance), EU and national employers' associations and lead employers.

Labour market policies to deliver quality jobs

The historical blind spot of the European Semester in relation to work quality means that while the ALMP-related CSRs on access to employment in the European Semester 2018 were positive developments, 2019 must be the year this is developed. We need much more ambition. ALMPs are essential to delivering a whole range of employment and social objectives. However, there appears to be no appreciation of how these should be formulated as part of a broader investment plan for 'sustainable and inclusive growth' and how their financing can be structured to be counter-cyclical and therefore stabilising for European economies.

The 2018 CSRs that made indirect – and sometimes direct – reference to ALMPs were timid and too often limited to the challenge of long-term unemployment rather than having a more dynamic and broad-ranging vision of what European labour markets could look like with ambitious ALMPs complemented by well-functioning social dialogue institutions and a remit to boost job quality across the economy.

A fundamental cornerstone of the 'European social market economy' to which the Commission has repeatedly committed itself during the Juncker Commission must be protection for workers who are unfortunate enough to find themselves out of work. And yet the gaps that exist between the rights of different workers in Europe, in relation to this safety net, are profound. Worse still, major discrepancies exist within countries as well as between them – sometimes as a result of a lack of coverage and at others due to mobility and the linking of entitlement to citizenship and/or residency.

The European Semester 2019 will not remedy these long-standing structural problems, however the ETUC will push throughout the current cycle for unemployment benefits that prioritise three principles:

The prevention of poverty when workers lose their jobs;
Flexibility in relation to increasingly deregulated labour markets so that there are no delays to access in a context of ultra-short-term – and in some cases non-existent – employment contracts.
A counter-cyclical approach so that periods of relatively low unemployment generate the necessary public capital to prevent austerity during economic downturns.

The Joint Employment Report 2019 should consider these priorities.

ANNEX 2

Flexibility under the Stability and Growth Pact to implement the European Pillar of Social Rights and support job transitions

Adopted at the Executive Committee meeting of 23-24 October 2018

CONFEDERATION SYNDICAT EUROPEÆN TRADE UNION

ANNEX 2: Flexibility under the Stability and Growth Pact to implement the European Pillar of Social Rights and support job transitions

Adopted at the Executive Committee meeting of 23-24 October 2018

BACKGROUND: IT IS NOT TIME TO FIX THE ROOF

One of the ETUC's requests is for flexibility rules under the SGP to implement the EPSR in order for new available financial resources to be used to implement reforms and boost investments that deliver tangible benefits to Europeans including workers. Such resources are "European" and serve the European Pillar of Social Rights, thus creating a stronger motivation to implement EU-coordinated social policies and increasing the view among citizens that the EU improves their living and working conditions.

The EPSR promises a more cohesive society in more resilient economies thanks to socially oriented reforms and social investments. The risk is that, paradoxically, in the aftermath of its solemn proclamation, there will be no fiscal space for implementing the EPSR. The EuroArea deficit is at 0,9% and debt stands at about 80% of the GDP. The fiscal stance in the euro area was broadly neutral and the contribution of government expenditure to overall economic growth is also declining.

This is due to the fact that fiscal adjustments made by Member States actually resulted in inequalities, or poverty. The risk is that social unrest may increase and trust in the institutions including the European ones decline. The end of the ECB bond-buying programme will force countries into more prudential debt costs estimations. Economic and fiscal parameters setting the minimum benchmarks of structural balances of Member States will force Member States into even tougher fiscal adjustment requirements and the capacity of governments to invest in social reforms will also be strongly reduced. This new austerity will be perceived as the fault of the EU.

Is it really time for "fixing the roof"? actually it is not. On the contrary, **more resources are needed for the implementation of the EPSR**. "As the sun is not shining for most of the Europeans", the economic indicators which are basically based on GDP or Output, proved to be misleading. We are of the opinion that the economic cycle is not positive until full and sustainable employment is reached throughout the single market. In fact, we have experienced a decade of declining worked hours, stagnating wages, decreasing generosity of safety nets, deepening inequalities and increasing poverty. Moreover, European socio- economic conditions have diverged in detriment of peripheric economies. Who can sincerely affirm that in the EU "the sun is shining"? We need additional (productive) expenditure that, is better focused on investments, that benefit the entire population, and can achieve inclusive and sustainable growth as well as a progressive upward convergence of living and working conditions in Europe. This cannot be achieved by accommodative monetary policies alone.

Resources are needed to protect those affected by restructuring, job losses and other adverse changes. The EU economy is going through various deep transformations which demand rapid adaptation by the working population. Not only reforms. It is necessary to generate new opportunities, thus bringing new investments, either private or public, for new quality jobs.

Such resources should be "European". People ask the EU to produce tangible and "social" added value. -Value that their own countries cannot cater for. The EPSR is a

European policy framework and has to be enacted through resources that are EU-labelled. Whilst the MFF is one instrument to do this, it will only improve the situation with effect from 2021. Reforms based on the EPSR are meant to be mainly financed through the ESF. Today, the ESF can still support the implementation of the EPSR, but the remaining €80 billion for the period 2014-20 seems to be worryingly insufficient. Moreover, access to such funds has proven to be more and more complex, so that in several Member States these remain largely under-utilised. How to support the EPSR with EU-labelled resources?

A substantial way for the EU to activate EU-labelled resources is to make better use of the current flexibility under the SGP. The ETUC asks for a wide reform of the Stability and Growth Pact and of the economic governance in general, so that the new architecture will better reflect the social objectives of the treaties. Today, flexibility clauses can generate a positive fiscal stance (preserving the sustainability of public finances) for the sustainable social development of the EU and therefore can be a tangible contribution to the EPSR and a pro-European message for all.

THE CURRENT (NON)FLEXIBILITY UNDER THE SGP

In May 2018, the European Commission issued a Communication[1] in which usefulness and effectiveness of the flexibility clauses under the Stability and Growth Pact are confirmed – as if the EPSR hadn't occurred. The ETUC disagrees with this assessment. Flexibility clauses have been of little help to create fiscal space to relaunch investments and implement socially oriented policies.

Requirements to access flexibility under the SGP are too rigid and poorly social. Since their introduction, only 4 countries (Italy, Finland, Lithuania and Latvia) out of 18 potential beneficiaries made use of the flexibility clauses (a request from Romania was rejected). The investment clause is today inaccessible because of the economic cycle (output gap indicators are above the -1.5% in all Member States). At the same time, the structural reform clause is becoming less likely to be used because of more ambitious "minimum benchmarks", which steer Member States' fiscal adjustment efforts, (at least in statistical terms), towards "good times". As explained in the ETUC document for Growth and Social Progress, the ETUC evaluates the current economic cycle as being far from satisfactory in "normal times", and even less satisfactory "in good times".

SOCIAL REFORMS FOR GROWTH, SOCIAL PROGRESS AND SOUND PUBLIC FINANCES

The ETUC proposal assumes that certain social reforms or investments make the economic recovery more solid and will support fiscal stability. Today, thanks to the EPSR, there is a general consensus on the fact that positive performances of public finances depend on fairer conditions for both workers and citizens. The abovementioned Communication on flexibility under the SGP does not include any reference to the EPSR or job transitions. Flexibility clauses of the SGP were adopted in 2015 before the EPSR existed. This approach must be changed.

As the Semester 2018 shows, countries experiencing shortages vis-a-vis one or more of the 20 principles of the EPSR are considered as "divergent", however they should be considered divergent under the SGP as well.

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[1] *COMMUNICATION (2018)335final on the review of the flexibility under the Stability and Growth Pact, Brussels, 23.5.2018*

If this is not the case, social reforms and social investments will not have enough fiscal space to be implemented (i.e. reform of public employment services (PES), activation of ALMP, equal access to adequate pensions, training of adults, internships and education of young workers, safeguards for job transitions, and incentives to labour mobility, etc.).

The table below combines some eligibility criteria for flexibility under the SGP with the critical situation shown according to the EPSR in Member States: the Output gap indicator is an obstacle to access flexibility clauses even in countries that have an urgent need to remove critical situations with respect to the EPSR.

Table 1: Accessibility to Flexibility Clauses in 2018 under current rules and critical situations under the Social Scoreboard of the EPSR (red: criteria non-fulfilled; green: criteria fulfilled; white: not monitored)

Country	Output gap criteria fulfilled (< -1,5%)	Preventive arm	Clauses already used	Safe distance from Minimum Benchmark (2019) (EA)	EPSR Critical Situations (Social Scoreboard)
Belgium	No	Yes	No	Yes	No
Bulgaria	No	Yes	No		5
Czech Republic	No	Yes	No		1
Germany	No	Yes	No	Yes	No
Estonia	No	Yes	No	Yes	1
Ireland	No	Yes	No	Yes	No
Greece	Yes	?	No	Yes	-
Spain	No	No	No	No	2
France	No	Yes	No	No	No
Croatia	No	Yes	No		3
Italy	No	Yes	Yes	Yes	5
Cyprus	No	Yes	No	Yes	2
Latvia	No	Yes	Yes	Yes	No
Lithuania	No	Yes	Yes	Yes	2
Luxembourg	No	Yes	No	Yes	No
Hungary	No	Yes	No		No
Malta	No	Yes	No	Yes	2
Netherlands	No	Yes	No	Yes	No
Austria	No	Yes	No	Yes	No
Poland	No	Yes	No		2
Portugal	No	Yes	No	Yes	1
Romania	No	Yes	No		7
Slovenia	No	Yes	No	Yes	No
Slovakia	No	Yes	NO	Yes	1
Finland	No	Yes	Yes	Yes	No
Sweden	No	Yes	No		No

The EPSR sets out new priorities and the need for fresh resources for new social priorities to be implemented. In 2018, many Member States were failing to respect the EPSR. However, new reforms and additional investments may lead to temporary deviations from fiscal adjustment efforts (technically from countries' Medium-Term Objectives). By their nature, the economic returns from socially oriented reforms are assumed to show up in the mid/long term. This is not new. Reforms related to the labour market, social protection or industrial relations may already qualify for flexibility under the current so called 'reform clause'. What is new, is the fact that the EPSR sets out new more ambitious social objectives and fresh resources need to be obtained.

THE ETUC PROPOSAL

Below are some elements that the next AGS can introduce and submit to the European Council for agreement on concrete solutions for flexibility associated to the implementation of the EPSR. **The ETUC requires the revisiting of the guidelines instructing flexibility under the SGP.** *In particular, the Council's conclusions in December endorsing the AGS and related documents that determine applicability of flexibility clauses[2].*

Current rules for flexibility under the SGP may still be coherent with their purpose, but accessibility criteria should be adapted to the current economic cycle. They could refer to the overall imbalances in the single market and/or in the euro area so that none of the Member States are excluded from investment or reform flexibility clauses until full sustainable employment is achieved.

Setting priorities for EPSR implementation falls within the remit of national governments. As per the current rules, stability programmes (eventually DBP) remain the instruments to submit requests for flexibility clauses and explain their impact on public finances and especially on reaching medium-term budget objectives (MTOs). National Reform Programmes (reinforced by social partners' involvement) should explain in greater detail planned reforms/investments, timeframes, implementation measures, beneficiaries, expected returns and impact analysis and monitoring instruments.

Social dialogue should be given a greater role in the design, implementation and monitoring of reforms when required. Social partner agreements identifying urgent challenges and policy drivers to improve labour markets may be given the same weight as Country Reports and Social Scoreboard, when setting CSRs and opening the way to flexibility under the SGP. The ETUC observatory shows that 50% of social CSRs meet trade union expectations. National reform programmes are less effective because of poor involvement of social partners (see ETUC TU-Involvement Index). If improved with social dialogue, Social Scoreboard and Country reports may allow the identification of urgent areas of intervention and may determine access to the flexibility rules.

As for the current flexibility rules, reforms/investments driven by the EPSR must not put public finances at risk. Nothing changes: there is no reason for the present rationale backing the current flexibility rules not to be valid for the new circumstances highlighted by the EPSR. Moreover, temporary deviations from MTOs should aim at removing situations that are considered as 'urgent'. These situations, if not addressed, may potentially hamper the performance of the overall economy and thus reduce government budget revenues. In such cases, a degree of flexibility in the application of the fiscal rules is surely warranted.

Making a simulation for the euro area (see tables below) flexibility clauses could still mobilise about €40.8 billion in 2019 and up to €88 billion by 2021. Of course, this rough calculation cannot factor in all requirements, as figures can only be verified when demands for flexibility are introduced. However, the idea is that in 2019 (Member States will already be allowed to submit requests for flexibility in SCP 2018), EU instruments for social reform can count on an additional €40 billion, and these resources can be used to advance Member States' progress on reforms demanded in the CSRs.

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[2] ***the 2015 Communication, the Code of Conduct for SCP or Vade Mecum for SGP in order to mention the EPSR and clarify to what extent reforms implementing EPSR can be considered structural reforms in the meaning of the Communication and consequently what investments can determine deviations from MTOs.*** *EC Communication Making the Best Use of the Flexibility Within the Existing Rules of the Stability and Growth Pact, and the Revised Specifications on the Implementation of the Stability and Growth Pact and Guidelines on the Format and Content of Stability and Convergence Programmes (Code of Conduct of the Stability and Growth Pact).*

Elements of the simulation	- Output gap indicator neutralised - Structural deficit projections are from SCP 2018 - GDP growth is (prudently) set at 1% per year in each Member State - Safe distance from the -3% of GDP (minimum benchmark) as in the Vade Mecum of SGP 2018 - Headline deficit does not overcome the 3% threshold (presumption, not verified) - Distant of the structural deficit from the MTO not exceeding 1.5% of the GDP. - Sum of structural + investment clauses capped at 0.75% - Presuming all Member States are at their MTOs in 2019 - Effects of unfreezing of criteria are disregarded

Example 1

CALCULATION OF MTO DEVIATION ACCORDING TO THE EPSR FLEXIBILITY RULE IN COUNTRY X								
Country	Indicator	2017	2018	2019	2020	2021	Flexibility 2018	Flexibility 2019
XXXXX	Structural deficit		-0.8	-0.6	0	0		
	New minimum benchmark		-1.4	-1.4			0.6	0.8 (max 0,75)
	MTO		0					
	GDP (Million Euro)	500,000	505,000	510,050	515,151	520,302		
	Flexibility clause (Million Euro)		3,030	3,825		3,902		

Description:

- For country X the Debt of Central Government is above 60%.
- We assume that the country wishes to activate the maximum allowed of the reform+investment clauses to deliver social oriented reforms.
- Medium-term objective over the period is at 0%. The country is an acceptable adjustment programme so it is in the preventive arm. **Eligible.**
- Structural balance trends is -0,8% in 2018 and -0,60% in 2019. It means that the distance between the MTO and the structural deficit is below the 1,5% of GDP. **Eligible.**
- Minimum benchmark is -1,4% in 2018. If flexibility is requested in 2019 the minimum benchmark of reference is the 2018 one (-1,4%).
- The country has a margin of 0,6% of GDP to activate a flexibility clause. It asks for 0,4% to implement the reform clause which implies a 0,2% for new investments (all other conditions of the investment clause respected). Total deviation is 0,6% of GDP: **eligible.**
- Social partners' intervention may ensure that reforms are actually implemented and that net investments will increase.

If GDP is 500billion euro, the country can count on €500b*0,006=€3b for its reform+investments.
If the clause is activated in coming years, the country can presumably use the entire 0,75% amount.
Assuming that country X activates the flexibility clause in 2020, GDP increases by 1% per year reference value is 2019 GDP, €510,050m. Resources allocate to the EPSR may amount to €510.050b*0.0075= €3,825.3m

The following table shows the example above applied to Euro Area Member States:

Table: CALCULATION OF MTO DEVIATION ACCORDING TO THE EPSR FLEXIBILITY RULE						
Country	Indicator	2017	2018	2019	2020	2021
BE	Structural deficit		-0,8	-0,61	0	0
	New min benchmark		-1,4	-1,4		
	MTO		0			
	GDP	437.294	441.667	446.084	450.544	455.050
	Flexibility clause		2.650	3.346		3.413
DE	Structural deficit		0,5	0,75	1	1,5
	New min bench		-1,4	-1,3		
	MTO		-0,5			
	GDP	3.277.340	3.310.113	3.343.215	3.376.647	3.410.413
	Flexibility clause		24.826	25.074	33.766	25.578
EE	Structural deficit		-0,25	-0,3	0	0
	New minimum benchmark		-1,4	-0,8		
	MTO		-0,5			
	GDP	23.002	23.232	23.464	23.699	23.936
	Flexibility clause		174	117		180
IE	Structural deficit		-0,9	-0,4	0,1	0,3
	New min bench		-1	-1		
	MTO		-0,5			
	GDP	294.110	297.051	300.022	303.022	306.052
	Flexibility clause		297	1.800	3.030	3.061
ES	Structural deficit		-2,1	-1,9	-1,6	-1,2
	New minimum benchmark		-1,1	-1		
	MTO		0			
	GDP	1.163.662	1.175.299	1.187.052	1.198.922	1.210.911
	Flexibility clause					9.082
FR	Structural deficit		-1,9	-1,6	-1,4	-1
	New min bench		-1,1	-1		
	MTO		-0,4			
	GDP	2.291.705	2.314.622	2.337.768	2.361.146	2.384.757
	Flexibility clause					17.886
IT	Structural deficit		-1	-0,4	0,1	0,1
	New minimum benchmark		-1,3	-0,8		
	MTO		0			
	GDP	1716934	1734103,34	1751444,37	1768958,82	1786648,41
	Flexibility clause					13.400
CY	Structural deficit		0,4	0,2	0,2	0,5
	New min bench		-1,3	-0,8		
	MTO		0			
	GDP	19.213	19.405	19.599	19.795	19.993
	Flexibility clause		146	147		150
LV	Structural deficit		-1,4	-0,8	-0,4	-0,4

	New minimum benchmark		-1,7	-1,6		
	MTO		-1			
	GDP	26.856	27.125	27.396	27.670	27.946
	Flexibility clause		81			210
LT	Structural deficit		-0,3	-0,2	0,1	0,1
	New min bench		-1,7	-1,6		
	LT		-1			
	GDP	41.857	42.276	42.698	43.125	43.557
	Flexibility clause		317			327
LU	Structural deficit		1,2	1	1,2	2,2
	New minimum benchmark		-1,4	-1,2		
	MTO		-0,5			
	GDP	55.377	55.931	56.490	57.055	57.626
	Flexibility clause		419	424		432
MT	Structural deficit		0,6	0,7	0,9	1,8
	New min bench		-1,7	-1,5		
	MTO		0			
	GDP	11.125	11.236	11.349	11.462	11.577
	Flexibility clause		84	85		87
NL	Structural deficit		0	-0,4	-0,3	-0,1
	New minimum benchmark		-1	-0,8		
	MTO		-0,5			
	GDP	737.048	744.418	751.863	759.381	766.975
	Flexibility clause		5.583	3.007		5.752
AT	Structural deficit		-0,9	-0,5	-0,3	0
	New min bench		-1,6	-1,5		
	MTO		-0,5			
	GDP	369.685	373.382	377.116	380.887	384.696
	Flexibility clause		2.614	2.828		2.885
PT	Structural deficit		-0,4	0,3	0,6	0,9
	New minimum benchmark		-1,1	-1		
	MTO		0,25			
	GDP	193.072	195.003	196.953	198.922	200.911
	Flexibility clause		1.365	1.477		1.507
SI	Structural deficit		-0,5	-1	-0,7	-0,2
	New min bench		-1	-0,9		
	MTO		0,25			
	GDP	43.278	43.711	44.148	44.589	45.035
	Flexibility clause		219	0		338
SK	Structural deficit		-1	-0,75	-0,4	-0,3
	New minimum benchmark		-1,6	-1,5		
	MTO		-0,5			
	GDP	84.985	85.835	86.693	87.560	88.436

	Flexibility clause		515	650		663
FI	Structural deficit		-0,5	-0,6	-0,3	-0,1
	New min bench		-0,6	-0,5		
	MTO		-0,5			
	GDP	223.843	226.081	228.342	230.626	232.932
	Flexibility clause		226	0		1.747
EL	Structural Deficit		3	3	3	3
	New minimum benchmark		-2,1	-2		
	MTO		?			
	GDP	177.735	179.512	181.307	183.121	184.952
	Flexibility clause		1.346	1.360		1.387

If the ETUC estimation is correct, the impact on the Euro Area is:

Available in 2019 in the EA	40.862,7
Available 2019 as %of GDP of the EA	0,37%
Available by 2021 in the EA	88.083
Available 2021 as %of GDP in the EA	0,75%

Table 1: Feasibility of three main changes introduced by the ETUC proposal:

Topic	Technical difficulty	Political difficulty	Impact
Replacing the Output gap as proxy for the economic cycle status with overall employment performances of the EU/EA	Medium (only non-legal texts should be changed). It implies a change in all relevant Committees and EC decisions, docs, tables that determine practical functioning of the SGP. Respecting the current prudential approach should help gathering consensus on the proposal.	High, the Council is split in two between pro-flexibility and pro-rigidity of fiscal discipline. They are both legitimate under the SGP rules but balance difficult to achieve.	High, people understand that their actual condition is more important than macroeconomic parameters
Quoting the EPSR as a compass to identify reforms that should have access to flexibility rules	Easy. Labour market, collective bargaining, pensions, poverty, etc, are already eligible under the current rules	Medium, Member States have recently and solemnly adopted the EPSR. A revised Communication on flexibility under the GDP is sufficient.	Very high. EU shows that lead social policies of Member States and make citizens the centrepiece of their policy

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Belgium	No	Yes	No	Yes	No
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Germany	No	Yes	No	Yes	No
Estonia	No	Yes	No	Yes	1
Ireland	No	Yes	No	Yes	No
Greece	Yes	?	No	Yes	-
Spain	No	No	No	No	2
France	No	Yes	No	No	No
Croatia	No	Yes	No		3
Italy	No	Yes	Yes	Yes	5
Cyprus	No	Yes	No	Yes	2
Latvia	No	Yes	Yes	Yes	No
Lithuania	No	Yes	Yes	Yes	2
Luxembourg	No	Yes	No	Yes	No
Hungary	No	Yes	No		No
Malta	No	Yes	No	Yes	2
Netherlands	No	Yes	No	Yes	No
Austria	No	Yes	No	Yes	No
Poland	No	Yes	No		2
Portugal	No	Yes	No	Yes	1
Romania	No	Yes	No		7
Slovenia	No	Yes	No	Yes	No
Slovakia	No	Yes	NO	Yes	1
Finland	No	Yes	Yes	Yes	No
Sweden	No	Yes	No		No

Including social partners agreements in the Semester	Easy, no specific legal interventions are needed. A political commitment to be set with soft law acts.	Medium, the Quadritpartite Agreement for a New Start for Social Dialogue should help gathering consensus. It mitigates risks that reforms for which flexibility are granted are not implemented.	High, it really creates ownership at national level, and ensures implementation of reforms.

1. **The EPSR sets out new priorities and the need for fresh resources for new social priorities to be implemented.** In 2018, many Member States were failing to respect the EPSR. However, new reforms and additional investments may lead to temporary deviations from fiscal adjustment efforts (technically from countries' Medium-Term Objectives). By their nature, the economic returns from socially oriented reforms are assumed to show up in the mid/long term. This is not new. Reforms related to the labour market, social protection or industrial relations may already qualify for flexibility under the current so called 'reform clause'. What is new, is the fact that the EPSR sets out new more ambitious social objectives and fresh resources need to be obtained.

THE ETUC PROPOSAL

2. Below are some elements that the next AGS can introduce and submit to the European Council for agreement on concrete solutions for flexibility associated to the implementation of the EPSR. **The ETUC requires the revisiting of the guidelines instructing flexibility under the SGP.** *In particular, the Council's conclusions in December endorsing the AGS and related documents that determine applicability of flexibility clauses[3].*
3. **Current rules for flexibility under the SGP may still be coherent with their purpose, but accessibility criteria should be adapted to the current economic cycle.** They could refer to the overall imbalances in the single market and/or in the euro area so that none of the Member States are excluded from investment or reform flexibility clauses until full sustainable employment is achieved.
4. **Setting priorities for EPSR implementation falls within the remit of national governments.** As per the current rules, stability programmes (eventually DBP) remain the instruments to submit requests for flexibility clauses and explain their impact on public finances and especially on reaching medium-term budget objectives (MTOs). National Reform Programmes (reinforced by social partners' involvement) should explain in greater detail planned reforms/investments, timeframes, implementation measures, beneficiaries, expected returns and impact analysis and monitoring instruments.
5. **Social dialogue should be given a greater role in the design, implementation and monitoring of reforms** when required. Social partner agreements identifying urgent challenges and policy drivers to improve labour markets may be given the same weight as Country Reports and Social Scoreboard, when setting CSRs and opening the way to flexibility under the SGP. The ETUC observatory shows that 50% of social CSRs meet trade union expectations. National reform programmes are less effective because of poor involvement of social partners (see ETUC TU-Involvement Index). If improved with social dialogue, Social Scoreboard and Country reports may allow the identification of urgent areas of intervention and may determine access to the flexibility rules.
6. **As for the current flexibility rules, reforms/investments driven by the EPSR must not put public finances at risk.** Nothing changes: there is no reason for the present rationale backing the current flexibility rules not to be valid for the new circumstances highlighted by the EPSR. Moreover, temporary deviations from MTOs should aim at removing situations that are considered as 'urgent'. These situations, if not addressed, may potentially hamper the performance of the overall economy and thus reduce government budget revenues. In such cases, a degree of flexibility in the application of the fiscal rules is surely warranted.

7. Making a simulation for the euro area (see tables below) flexibility clauses could still mobilise about €40.8 billion in 2019 and up to €88 billion by 2021. Of course, this rough calculation cannot factor in all requirements, as figures can only be verified when demands for flexibility are introduced. However, the idea is that in 2019 (Member States will already be allowed to submit requests for flexibility in SCP 2018), EU instruments for social reform can count on an additional €40 billion, and these resources can be used to advance Member States' progress on reforms demanded in the CSRs.

[3] ***the 2015 Communication, the Code of Conduct for SCP or Vade Mecum for SGP in order to mention the EPSR and clarify to what extent reforms implementing EPSR can be considered structural reforms in the meaning of the Communication and consequently what investments can determine deviations from MTOs.*** *EC Communication Making the Best Use of the Flexibility Within the Existing Rules of the Stability and Growth Pact, and the Revised Specifications on the Implementation of the Stability and Growth Pact and Guidelines on the Format and Content of Stability and Convergence Programmes (Code of Conduct of the Stability and Growth Pact).*

Elements of the simulation	
	- Output gap indicator neutralised - Structural deficit projections are from SCP 2018 - GDP growth is (prudently) set at 1% per year in each Member State - Safe distance from the -3% of GDP (minimum benchmark) as in the Vade Mecum of SGP 2018 - Headline deficit does not overcome the 3% threshold (presumption, not verified) - Distant of the structural deficit from the MTO not exceeding 1.5% of the GDP. - Sum of structural + investment clauses capped at 0.75% - Presuming all Member States are at their MTOs in 2019 - Effects of unfreezing of criteria are disregarded

Example 1

CALCULATION OF MTO DEVIATION ACCORDING TO THE EPSR FLEXIBILITY RULE IN COUNTRY X								
Country	Indicator	2017	2018	2019	2020	2021	Flexibility 2018	Flexibility 2019
XXXXX	Structural deficit		-0.8	-0.6	0	0		
	New minimum benchmark		-1.4	-1.4			0.6	0.8 (max 0,75)
	MTO		0					
	GDP (Million Euro)	500,000	505,000	510,050	515,151	520,302		
	Flexibility clause (Million Euro)		3,030	3,825		3,902		

Description:

- For country X the Debt of Central Government is above 60%.
- We assume that the country wishes to activate the maximum allowed of the reform+investment clauses to deliver social oriented reforms.
- Medium-term objective over the period is at 0%. The country is an acceptable adjustment programme so it is in the preventive arm. **Eligible.**
- Structural balance trends is -0,8% in 2018 and -0,60% in 2019. It means that the distance between the MTO and the structural deficit is below the 1,5% of GDP. **Eligible.**
- Minimum benchmark is -1,4% in 2018. If flexibility is requested in 2019 the minimum benchmark of reference is the 2018 one (-1,4%).
- The country has a margin of 0,6% of GDP to activate a flexibility clause. It asks for 0,4% to implement the reform clause which implies a 0,2% for new investments (all other conditions of the investment clause respected). Total deviation is 0,6% of GDP: **eligible.**
- Social partners' intervention may ensure that reforms are actually implemented and that net investments will increase.

If GDP is 500billion euro, the country can count on €500b*0,006=€3b for its reform+investments.
If the clause is activated in coming years, the country can presumably use the entire 0,75% amount.
Assuming that country X activates the flexibility clause in 2020, GDP increases by 1% per year reference value is 2019 GDP, €510,050m. Resources allocate to the EPSR may amount to €510.050b*0.0075= €3,825.3m

The following table shows the example above applied to Euro Area Member States:

Table: CALCULATION OF MTO DEVIATION ACCORDING TO THE EPSR FLEXIBILITY RULE

Country	Indicator	2017	2018	2019	2020	2021
BE	Structural deficit		-0,8	-0,61	0	0
	New min benchmark		-1,4	-1,4		
	MTO		0			
	GDP	437.294	441.667	446.084	450.544	455.050
	Flexibility clause		2.650	3.346		3.413
DE	Structural deficit		0,5	0,75	1	1,5
	New min bench		-1,4	-1,3		
	MTO		-0,5			
	GDP	3.277.340	3.310.113	3.343.215	3.376.647	3.410.413
	Flexibility clause		24.826	25.074	33.766	25.578
EE	Structural deficit		-0,25	-0,3	0	0
	New minimum benchmark		-1,4	-0,8		
	MTO		-0,5			
	GDP	23.002	23.232	23.464	23.699	23.936
	Flexibility clause		174	117		180
IE	Structural deficit		-0,9	-0,4	0,1	0,3
	New min bench		-1	-1		
	MTO		-0,5			
	GDP	294.110	297.051	300.022	303.022	306.052
	Flexibility clause		297	1.800	3.030	3.061
ES	Structural deficit		-2,1	-1,9	-1,6	-1,2
	New minimum benchmark		-1,1	-1		
	MTO		0			
	GDP	1.163.662	1.175.299	1.187.052	1.198.922	1.210.911
	Flexibility clause					9.082
FR	Structural deficit		-1,9	-1,6	-1,4	-1
	New min bench		-1,1	-1		
	MTO		-0,4			
	GDP	2.291.705	2.314.622	2.337.768	2.361.146	2.384.757
	Flexibility clause					17.886
IT	Structural deficit		-1	-0,4	0,1	0,1
	New minimum benchmark		-1,3	-0,8		
	MTO		0			
	GDP	1716934	1734103,34	1751444,37	1768958,82	1786648,41
	Flexibility clause					13.400
CY	Structural deficit		0,4	0,2	0,2	0,5
	New min bench		-1,3	-0,8		
	MTO		0			
	GDP	19.213	19.405	19.599	19.795	19.993
	Flexibility clause		146	147		150
LV	Structural deficit		-1,4	-0,8	-0,4	-0,4

	New minimum benchmark		-1,7	-1,6		
	MTO		-1			
	GDP	26.856	27.125	27.396	27.670	27.946
	Flexibility clause		81			210
LT	Structural deficit		-0,3	-0,2	0,1	0,1
	New min bench		-1,7	-1,6		
	LT		-1			
	GDP	41.857	42.276	42.698	43.125	43.557
	Flexibility clause		317			327
LU	Structural deficit		1,2	1	1,2	2,2
	New minimum benchmark		-1,4	-1,2		
	MTO		-0,5			
	GDP	55.377	55.931	56.490	57.055	57.626
	Flexibility clause		419	424		432
MT	Structural deficit		0,6	0,7	0,9	1,8
	New min bench		-1,7	-1,5		
	MTO		0			
	GDP	11.125	11.236	11.349	11.462	11.577
	Flexibility clause		84	85		87
NL	Structural deficit		0	-0,4	-0,3	-0,1
	New minimum benchmark		-1	-0,8		
	MTO		-0,5			
	GDP	737.048	744.418	751.863	759.381	766.975
	Flexibility clause		5.583	3.007		5.752
AT	Structural deficit		-0,9	-0,5	-0,3	0
	New min bench		-1,6	-1,5		
	MTO		-0,5			
	GDP	369.685	373.382	377.116	380.887	384.696
	Flexibility clause		2.614	2.828		2.885
PT	Structural deficit		-0,4	0,3	0,6	0,9
	New minimum benchmark		-1,1	-1		
	MTO		0,25			
	GDP	193.072	195.003	196.953	198.922	200.911
	Flexibility clause		1.365	1.477		1.507
SI	Structural deficit		-0,5	-1	-0,7	-0,2
	New min bench		-1	-0,9		
	MTO		0,25			
	GDP	43.278	43.711	44.148	44.589	45.035
	Flexibility clause		219	0		338
SK	Structural deficit		-1	-0,75	-0,4	-0,3
	New minimum benchmark		-1,6	-1,5		
	MTO		-0,5			
	GDP	84.985	85.835	86.693	87.560	88.436

	Flexibility clause		515	650		663
FI	Structural deficit		-0,5	-0,6	-0,3	-0,1
	New min bench		-0,6	-0,5		
	MTO		-0,5			
	GDP	223.843	226.081	228.342	230.626	232.932
	Flexibility clause		226	0		1.747
EL	Structural Deficit		3	3	3	3
	New minimum benchmark		-2,1	-2		
	MTO		?			
	GDP	177.735	179.512	181.307	183.121	184.952
	Flexibility clause		1.346	1.360		1.387

If the ETUC estimation is correct, the impact on the Euro Area is:

Available in 2019 in the EA	40.862,7
Available 2019 as %of GDP of the EA	0,37%
Available by 2021 in the EA	88.083
Available 2021 as %of GDP in the EA	0,75%

Table 1: Feasibility of three main changes introduced by the ETUC proposal:

Topic	Technical difficulty	Political difficulty	Impact
Replacing the Output gap as proxy for the economic cycle status with overall employment performances of the EU/EA	Medium (only non-legal texts should be changed). It implies a change in all relevant Committees and EC decisions, docs, tables that determine practical functioning of the SGP. Respecting the current prudential approach should help gathering consensus on the proposal.	High, the Council is split in two between pro-flexibility and pro-rigidity of fiscal discipline. They are both legitimate under the SGP rules but balance difficult to achieve.	High, people understand that their actual condition is more important than macroeconomic parameters
Quoting the EPSR as a compass to identify reforms that should have access to flexibility rules	Easy. Labour market, collective bargaining, pensions, poverty, etc, are already eligible under the current rules	Medium, Member States have recently and solemnly adopted the EPSR. A revised Communication on flexibility under the GDP is sufficient.	Very high. EU shows that lead social policies of Member States and make citizens the centrepiece of their policy
Including social partners agreements in the Semester	Easy, no specific legal interventions are needed. A political commitment to be set with soft law acts.	Medium, the Quadritpartite Agreement for a New Start for Social Dialogue should help gathering consensus. It mitigates risks that reforms for which flexibility are granted are not implemented.	High, it really creates ownership at national level, and ensures implementation of reforms.

ANNEX 3

ETUCE education priorities for the AGS 2019

September 2018

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ETUCE education priorities for the AGS 2019

September 2018

The first principle of the European Pillar of Social Rights is '*Everyone has the right to quality and inclusive education, training and lifelong learning in order to maintain and acquire skills that enable them to participate fully in society and manage successfully transitions in the labour market'*. In order to contribute to the implementation of the Pillar and in light of the emphasis placed on the need to expand the provision of high-quality and accessible education for all in the most recent European Semester cycle, ETUCE recommends that the following education policy priorities should be addressed in the 2019 Annual Growth Survey (AGS).

- ***It is time to share prosperity: make high quality education investment a political priority, to resume economic growth and progress towards social justice***

The benefits of real, though fragile, economic growth are being experienced unequally across Europe, with the potential to create lasting inequalities and injustices for generations to come. Growth limits and financial repercussions as well as the lingering effects of austerity programmes means that the future of the European economy as well as social justice urgently requires sustainable, predictable and adequate investment in high quality education. To make the social re-balancing process hailed by the EPSR concrete, such issues should be addressed, in part, by real European solidarity and not just by European fiscal discipline, e.g. in the form of a European Treasury[1].

The most recent data from the OECD (2017)[2] confirms an average **decrease in public expenditures on educational institutions of two per cent as a percentage of Gross Domestic Product (GDP)** in Europe since the period 2008-2010. Looking at education spending as a percentage of public spending[3], data also shows an overall decline since 2007. The latest available figures show that an average of 4.4% of GDP is invested in educational institutions from primary to tertiary level. These figures are in line with the European Commission's own analysis[4] showing that the ratio of education spending to stood at 4.9 % of the GDP in the EU in 2015; a ratio which has been stagnant in recent years.

Geographical inequalities between and within countries have emerged, pushing Europe away from its convergence objectives. Variations in spending between countries reflect respective status of public finance and imbalance levels, as well as *de facto* limits to expenditure. A lack of and stagnating investment in the sector and within countries has generated further inequalities in the provision, quality and outcomes of education, with the lowest figures being accounted for in Czech Republic, Lithuania and the Slovak Republic (less than 2.8% of the GDP being spent at primary, secondary and post-secondary non-tertiary

[1] ETUC Position Paper: A European Treasury for Public Investment, Adopted by the ETUC Executive Committee, March 2017.
[2] OECD (2017), *Education at a Glance 2017: OECD Indicators,* OECD Publishing, Paris http://dx.doi.org/10.1787/eag-2017-en
[3] OECD (2018), *Public spending on education (indicator)* https://doi.org/10.1787/f99b45d0-en
[4] European Commission (2017), *Education and Training Monitor* https://ec.europa.eu/education/sites/education/files/monitor2017_en.pdf

level). As a general rule, people in poorer areas in Europe are not being provided with the same quality education as those living in richer areas.

The most recent Semester's in-depth analysis shows the detrimental effects of education privatisation measures (e.g. in SE and BG). Nevertheless, there continues to be emphasis on **spending efficiency and on ways that the private sector might generate resources to fill investment gaps.** Evidence also demonstrates the high long-term costs and the shifts of risks that public-private partnerships (PPPs) pose to the economy and impose on access to inclusive and equitable education. Instead, **more flexibility under the Stability and Growth Pact** and **efforts to expand the revenue base to allow for growth-enhancing public investment should be incentivised.** This includes more effective tax collection systems that are free of unfair loopholes, measures to reduce tax fraud and to combat corporate tax evasion and avoidance, and more progressive tax initiatives on financial transaction taxes, on wealth and property taxes, and on implementing the Common Corporate Consolidated Tax Base to limit fiscal dumping and financial speculation across Europe.

- ***Boost professional and working conditions of education personnel to overcome current and future teacher shortages***

Priority should be given to providing teachers with decent employment conditions and salaries comparable to other professionals with similar qualifications, initial teacher training and continuous professional development opportunities to exercise their profession. Eurydice recent data[5] shows that **no less than 17 EU countries experience teacher shortages,** posing threats to education systems' sustainability with knock-on effects for students, societies and economies. In many countries, this is closely linked to the **attractiveness of the profession** among young people, as well as the ability to retain existing teachers. A reduction of the teaching workforce and the deterioration in the quality of work, including increasing demands for flexibility, precarious employment, salary freezes, de-professionalisation, limited autonomy and influence over curriculum and teaching methods, are among the main causes of the teachers' recruitment and retention crisis, affecting in particular young and female teachers.

- ***Make quality education a reality for all***

Equity and equal opportunities should be a priority. Equal access to quality education and a more equitable distribution of learning outcomes is a pre-requisite for Europe to compete in the global economy and meet its demands for high-levels of skills, knowledge and competences. The combination of **increasing socio-economic disparities and the hostility towards migrants and refugees** has caused many learning and inclusion difficulties to surface that aggravate inequality and discrimination in society. Far-right extremism and populist nationalism in the community are entering the classroom the same way they enter neighbourhoods and workplaces, endangering acceptance and tolerance of newcomers and undermining democracy itself. Education institutions and its personnel should be provided with the support, space and tools needed to embed teaching **democratic values, active citizenship, critical thinking, tolerance and peace** in healthy and safe environments. Additionally, tensions in society amplify as students and others are swamped with unverified information. New means of communication complicate the challenge of adequate media-literacy particularly for those in the most marginalised areas of Europe. The achievement of **full digital literacy** of all teachers and students and among all citizens could not be more compelling. To this end, public funding for continuous training, updated equipment and competent technical support staff is to be prioritised.

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[5] European Commission (2018), *Teaching Career in Europe,* Eurydice report

The ETUC is the voice of workers and represents 45 million members from 89 trade union organisations in 39 European countries, plus 10 European Trade Union Federations.

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