FOR A SUSTAINABLE ECONOMY AND SOCIAL PROGRESS

TRADE UNION INPUTS FOR THE EUROPEAN SEMESTER 2026

Contents

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KEY MESSAGES

a) Semester 2026 is a turning point for the EU to reset its economic strategy toward social progress. It is the year in which the EU Quality Job strategy will move its first steps and country-specific recommendations 2026 may set priorities to design upcoming National and Regional Partnership Plans under the MFF 2028-34.

b) The role of social partners is key. Within a reinforced social convergence framework, national social partners - coordinated by European social partners - should have the possibility to advance proposals for labour-centred CSR. Based on the joint letter of European Social Partners, it is urgent to define principles, common features and awaited outputs to be applied to consultation of social partners at the milestones of the EU Semester, in the respect of national systems of social dialogue and as far as it does not harm the prerogatives of social partners at national level

c) The ETUC wants to give voice to fears that are shaking European workers across Europe. The EU should not become a war economy. Recognising the urgency to scale up the EU defence capacity, the ETUC rejects any trade-off that leads to underfinancing of investments related to green, welfare states and health of people.

d) Confronted with a deteriorating international outlook, we should revert the current paradigm based on the stubborn implementation of the SGP. Social fragmentation is the worst that can happen to a political agenda that has security and defence at its core. It is important that social policies of the EU are firmly centred on quality jobs, social investment and improvement of working conditions.

e) Competitiveness should embrace an all-factors productivity concept (social, environmental and political solidity of our democracies) in which productivity gains are associated to investment in technology and improvement of working conditions and valorisation of the EU workforce.

f) The ETUC calls for an ambitious Quality Job Roadmap with an upgrade of the EPSR especially in the capacity of the EU to offer a solid just transitions framework and new rights in digitalised workplaces. The main challenges are found in the lack of convergence of main social indicators, and in poor performance of main indicators of quality of work.

g) The social measures announced in the SOTEU are insufficient. There is progressive departure from employment and labour policies, leaving social policies confined to some societal issues (housing, energy poverty, material deprivation, etc.), that are surely important, but cannot satisfy the workers' demands for quality jobs.

h) Wages are a reason of great concern. As they lose purchasing power, in many industries productivity is depressed by lack of investment, infrastructures and cuts to public administrations. In sectors where productivity margins improve thanks to penetration of new technologies wages struggle to receive their fair rate of gains.

i) The European industrial base is not being reinforced (but military) also because of no plans to steer labour transitions in a long-term perspective. Corporate

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restructurings, collective dismissals, and poor just transition frameworks urge the ETUC to call for European measures which include anticipation of change, workers' involvement and right to training. Adequate resources should be ensured to these frameworks, for instance, preserving the ESF and the JTF in the current and future MFFs. There are also delays in transferring technological advancements into welfare for workers, starting from work-life balance or different working time arrangements, and poor employees' involvement in work organisation.

j) The Social Convergence Framework should identify, to a larger scale than in the past, systemic challenges that countries or regions should address to ensure a factual upward convergence of working conditions. The sector dimension is also key to activate just transition frameworks and active social dialogue for productive transformations. The ETUC asks to urgently reconsider the positive impact that social investment have on economic sustainability in the DSA and fiscal recommendations.

k) As a result of a closer integration of policy objectives of the MFF and EU Semester, the CSRs 2026 must be able to bring "labour" back at the very core of the EU social policies, giving new impetus to the EPSR. These two objectives require some transversal objectives to be achieved.

l) The JER, the social scoreboard, Porto's targets and distributional impact of social policies should frame metrics which fulfil requirements of upward convergence of working and living conditions, with specific focus on inclusiveness of labour market, adequacy of social protection systems and fight against inequalities.

m) Strengthening collective bargaining should become one central aim of the European Semester. For this purpose, a close interaction between the action plan to strengthen collective bargaining in accordance with the Minimum Wage Directive and the European Semester should be implemented. The two monitoring processes must be interlinked. Failures to implement the action plan must be addressed in the European Semester.

n) The next semester should firmly anchor the EU development model to sustainability models such as the one emerging from the World Social Summit 2025. A multidimensional sustainability model should open **fiscal space for investments in decarbonising our economy and production and give way to social investments**.

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1. Challenges

1.1 The international outlook

1.1.1 The international outlook is blurred. The main reason of concern is the democratic adrift and delegitimization of those global institutions which guaranteed a minimum of fairness in global economic activities. The global economy is apparently performing well, However, **economic data may be biased because of lack of predictability and information gaps** and as far-right governments (such as Hungary, Russia, US, Turkey and China) manipulate data attacking the independency of statistic institutions and the autonomy of the national central banks[1].

1.1.2 On top of that, **a tariff war is now spreading over the globe.** Still, the trade war is not only tariffs. It can take the form of subsidies to companies and privileged taxation on investment and other forms of dumping that redirect Direct Foreign Investment over the globe. What is at the stake is that the private sector entrenches in economic rent positions and do not contribute to strategic common objectives such as supply of critical raw materials, development and access to strategic technologies and technological leadership.

1.1.3 **Financial transfers among EU member states are excluded, investment flows are declining in advanced economies in 2024 and seem to be even worse in 2025 (converging analysis of OECD and UNDACT).** While climate change remains a challenge for humanity overall, proliferation of armament remains a factor of risk for the global economy because it mobilises investment for assets that are in the long term unproductive and spread out a sense of insecurity that discourages long term investments.

1.1.4 The drop was especially steep in sectors which are critical to achieve the SDGs: renewable energy (-31%), transport (-32%), and water and sanitation (-30%) (UNCTAD)[2]. Another element of non-sustainability is that investments go where it is easier (for instance performing regions or regions with aggressive tax policies) not where is more useful and fairer (e.g. to rebalance opportunities among regions). In EU terms, it risks exacerbating gaps between core and periphery of the internal market.

1.1.5 In the current context, some key policies are losing ground such as fight to climate change and fair labour transitions. The effort to protect the planet and its natural

[1] For instance, the US have put under government control employment data to please the government economic decisions. Central bank in Turkey cannot be considered a reliable player to appreciate the real value of the Turkish lira. Chinese data on GDP growth and sustainability of Chinese finances are biased and create uncertainty for its trade partners.

[2] Global Foreign Direct Investment Falls for the Second Consecutive Year Posing Acute Challenges for Developing Countries | UN Trade and Development (UNCTAD)

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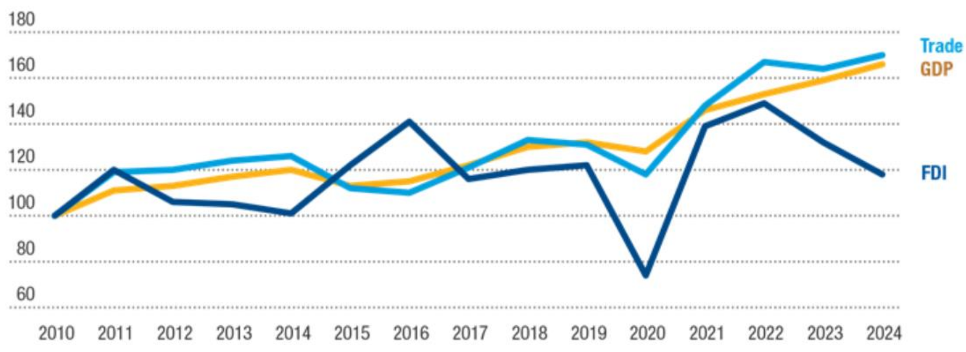
resources has strict relationship with quality of jobs and health of workers. Economic evidence (for instance the expanded production of solar panels, e-vehicles, circular economy technologies, etc.) tells a story of irreversible process of innovation and change of paradigm in the way we live, produce and work. However, in absence of international cooperation, these highly transformative processes risk driving humanity in a huge global conflict. The risk for the EU economy is that this trend

- Exacerbates the fight for raw material, rare earths and conduces to a violent rush to conquer critical and strategic technologies
- fuels non-steered people movement flows and a greater supply of unregulated work thanks to new technologies and larger opportunities to exploit remote work.

Figure 1. FDI is losing pace with GDP and trade.
FDI, GDP and trade indexed, 2010 = 100



Source: UNCTAD, World Investment Report 2025

1.1.6 Raising conflicts and polarisation of interests tend to convince major economies to entrench and protect their immediate interests in detriment of long-term perspectives and durable peace. **This is inducing disruptive changes in the EU economic development model that is moving toward exasperated defensive competitive positions while it was historically conceived as an open social market economy**.

1.2 EU Economic Outlook

1.2.1 The EU is stuck at a 1.1% GDP (0.9% EA) in 2025 growth which is disappointing if compared to the expected impact of Next Generation EU. The estimation of 1.5% growth in 2026 is subject to the unpredictable effects of the tariffs war and the unstable geopolitical environment. The EU competitive position is not that bad, as net balance surpluses demonstrate. The EU economy rather risks falling into a technological trap that requires huge investments and social cohesion to be removed. The Competitiveness Compass is not accurate in catching this aspect of the EU Economy.

1.2.2 Once again, the **internal demand** warranted modest growth to the EU economy. It was fed by public budgets (substantially a neutral **fiscal stance** expected in 2025 which left EU area deficit around 3%) and **private consumption** but stagnant overall investment levels. Private consumption was driven by nominal wage increases but, to be noted,

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underperformance of **real wages** implies that consumption was driven up by using private **savings** (Eurostat)[3]. **Investments** went, once again, down in 2024 and the EU continues estimating an acceleration of future investments that never materialises. Industrial investments are even more likely to decline. Difficult to say how much **net export** will contribute to overall consumption.

1.2.3 **The current EU stand on public finances is incompatible with the green agenda, commitment to fight climate change, protect health of people and activate social progress.** Expenditure in defence will sensibly increase thanks to the activation of the National Escape Clause (NEC), the SAFE instruments and the mid-term review of the MFF. In the meantime, other expenditure headings suffer from the SGP. The trade-off between defence vs. social spending is now visible in public finances of member states and next Draft Budgetary Plans will confirm it. The ETUC has established an Austerity Watch to survey austerity-driven measures in the EU Semester.

1.2.4 Expanding the European industry base cannot be limited to military industries. Military spending is largely unproductive and positive economic effects, including job creation, rapidly fade way. Scientific evidence shows that fiscal multipliers for military spending is much lower than for infrastructure investments (see more extensively below). **ETUC and Industriall have already documented the job losses in the industry and manufacturing sectors while, so the EC employment outlook says, employment is driven up by IT services and care services. The two do not compensate each other.** Already in the Semester 2025, ETUC brought evidence that often jobs in traditional or emerging sectors (like IT and green services) are often of lower quality than those lost the industry and manufacturing.

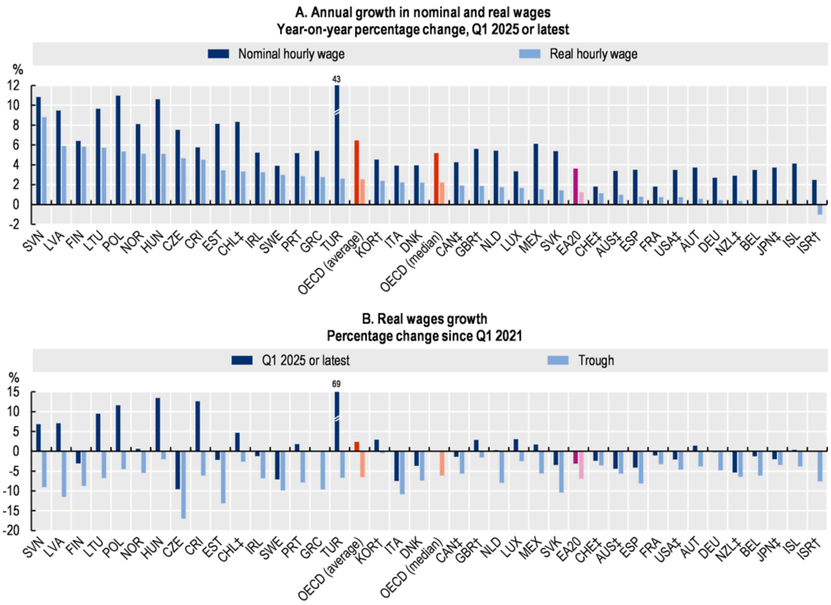
1.2.5 The fiscal stance remains neutral, despite the acceleration of the RRF expenditure which ends August 2026 and despite of commitments under the current MFF. It is important to clarify what will happen after August 2026 and how investment levels can be kept high in the medium term. Furthermore, **the internal market may result affected by asymmetric application of the SGP with countries with high debt forced in prudential policies (contractionary fiscal stance, military expenses included, 6 countries) while others (7 countries) can be strongly expansive.** However, looking at the Germany, if unilaterally implemented, the German extra deficit risks to have minor spill-over effects on the EU economy and create imbalances among EU regions. Draft Budgetary Plans submitted in October 2025 can provide more evidence of current and actual fiscal trends.

1.2.6 As seen in the international outlook we are seeing a progressive financialisaton of the economy in which larger use of share buybacks is the main mean to extract wealth

[3] Spring 2025 Economic Forecast: Moderate growth amid global economic uncertainty - European Commission

from businesses and procrastinate investments (see ITUC study). **The ETUC is worried that the workers can be kept in the deadly bite of the financialization of the economy and the soaring level of military expenditure**. It means increasing overall investment levels without real growth, employment, fairness and quality jobs.

1.2.7 Inflation remains a question mark in the next EU semester. Nominal wages show sign of catching up with past high inflation rates and other factors announce an increase of disposable income for households (such as lower interest rates and decreasing inflation). However, at the end of 2025, majority of EU workers will be worse off than pre-covid levels (pre-inflation wage levels, (see graph below). Too optimistic views may result biased because of a statistical misperceptions related to wide fluctuations of costs of certain goods, such as decreasing energy costs, that are not immediately transmitted to final consumers - Eurostat shows that Cost of food increased more than other items of the price monitoring components, ranging between +50% and +100% in 10 years, with no signs of convergence among EU regions. Food occupies a larger rate of household consumption, often reflecting the depressing state of wage dynamics and the need to mobilise savings to meet the ends. It causes an underestimation of the soaring cost of fundamental goods such as food and dwellings.



1.2.8 Finally, lower interest rates are not necessarily transmitted to family consumption, savings or investments (for instance access to mortgages). On the contrary there are signs that **higher private consumption is financed with mobilisation of household savings, which is at odds with the EU projects to mobilise savings for productive investment.** The EC should be clear, detailed and transparent to explain what happened to wage earners in 2025 and what is expected from them in 2026, focusing on more exposed groups and pockets of high vulnerability, in order to prepare the adequate policy response. **Beyond official statistics, ETUC members across Europe denounce that the cost-of-living crisis is always there and bites the purchasing power of households depending on wage earners.**

1.2.9 **The NGEU is showing the benefits that the EU instrument for investment financed with EU nominated debt, outside the MFF, may bring to the EU economy**.

The RRF shows that, under certain conditions, EU-financed investments may drive structural change and support green, digital and social transitions. However, RRF deployment also raised governance issues. The reference here is to the actual effectiveness of the money-for-reform principle, with greatest part of milestone and targets left still unachieved. The rush to spend the RRF resources (more than 50%, of which 43% grants and 60% loans) will likely activate investment with lower added value that are more likely to replace - instead of being additional to - national investments. We have also learned that very few resources went to cross-border infrastructures and projects of European interest. The ETUC has already analysed bottlenecks in the expenditure of the RRF and many of them have remained non-addressed such as the involvement of social partners. The requirements guiding countries toward the end of the NRRPs will lead to major change that, once again, will happen with low transparency, no openness and dominance of financial boundaries.

1.2.10 It is important that the publication of the next broad economic guidelines of the EU Semester, will come along with some clarification on how the Stability and Growth Pact will work in front of the most recent development and namely:

- *The impact of the escape clause on overall debt and space left for social expenditure ad investment beyond defence,*
- *The balance of interests and equal opportunities in the fiscal decisions taken by the members states unilaterally or when at odds with the SGP,*
- *Use of subsidies to businesses and employment and overall impact on employment and working conditions*
- *Tracking surpluses in turn-over and profits against capital formation in businesses that benefit from incentives, facilitations and subsidies in the framework of the security and competitiveness agenda*

1.3. The Social And Quality Job Outlook

1.3.1 Employment in the EU records historical highs. Such figures should be read in the light of the volatility of the economy and deteriorating quality of labour market data. International institutions hold different employment projections. While OECD announces more employment creation driven by tech and care sectors, the ILO has a more pessimistic take.

1.3.2 Macro trends that will affect the EU labour market will surely include demography, technological development, supply of labour force from non-EU economies. **The EU population in working age shrinks, while global population increases but labour market participation in emerging economies do not** (ETUC elaboration on OECD Employment Outlook 2025). The EU has to deal with a greater supply of work from third countries, often qualified but under-protected workers seeking for opportunities. Despite

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the narrative advanced by far-right political forces, migrants are in greater number contributing to labour shortages, especially in EU countries (OECD and ILO seem to go in the same direction). The EU should activate a plan to retain its workforce and offer them the possibility to find quality jobs and improve their conditions at home or exercise free movement as an opportunity and not as a necessity.

1.3.3 **The EU may be at higher risk of importing social dumping.** This comes together with a predictable increase of remote working from third countries. Numbers are on the increase, and we expect that the penetration of new technologies in EU companies may also imply a further internationalisation of the EU labour market. End of multilateralism may also weaken international standards and induce a greater tolerance for undeclared or under-protected work.

1.3.4 Closing the **gender gaps** is an issue of social justice but could also have a positive impact on the GDP growth. International surveys explain well how closing the gender gaps means addressing (together with workplace and labour market discrimination) societal challenges related to work-life balance, care burden sharing, violence on women, access to apical positions. The denunciation of **diversity strategies** in many EU companies on request of governments (as it happens in US or Hungary) are a sign of backwardness and deterioration of the democratic quality of national institutions. The EU should more than ever reinforce the diversity and inclusiveness chapter of the sustainability agenda and encourage (if not force) companies operating in the EU to adopt diversity plans, with a specific focus to ban discriminations at workplace and be actively engaged in promoting equal opportunities.

1.3.5 The wage situation is always subject of different interpretation. Statistic institutions tend to convergence on the idea that real wage trends are moving on positive terrain only in the first part of 2025. Upward movements are driven by revaluation of statutory minimum wages and renewal of collective agreements. It can be apparently good news for workers. However, elements of high concern for trade unions persist. First of all, real wages are below pre-inflation (2021) levels. Secondly, the reverted trend (real wage trends on positive terrain) may concern only workers covered by statutory minimum wages driven up by the Minimum Wage Directive; it also concerns collective agreements coverage, which transfers new wage levels via multiemployer collective agreements that renew wage levels every 2 or 4 years. Adequate levels of statutory minimum wage and coverage of collective agreements are exactly two areas covered by the EU Directive 2022/2041. In this international context it appears a short-sighted stand the EU decision not to reinforce the implementation of the EU directive in the member states by not adopting any CSR to tackle wage stagnation in the semester 2025.

1.3.6 Technological development will also be a driver of change for the EU labour market. It is not clear now how much invasive new advanced technologies will be (like AI), neither their effects on overall productivity. **It means that more analysis is needed to estimate**

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the balance between new jobs created and job losses. It is also difficult to understand what "quality" criteria will be associated to new jobs and how the penetration of new technologies will deepen (or offset) gaps in the implementation of the European Pillar of Social Rights.

1.3.7 What ETUC members denounce is that the **EU labour market continues recording unsustainable levels of precarious work**. New technologies may also feed pockets of informal economy especially for those tasks at the bottom of the scale (even if high tech automatised productive chain) with tasks of very low added value. Informality of the economy may also have strong regional connotations enlarging the gap between core and periphery of the internal market.

2. Policy Responses

2.1 A more balanced approach to competitiveness and productivity

2.1.1 The EU Semester should adopt a vision of wellbeing that looks at all aspects of quality of life. In this regard, environmental and social sustainability remains the horizon of modern economies. **Competitiveness in Europe should reflect all dimensions of sustainability**. Revamping its commitment with the SDGs, the EU Semester 2026 should be ready to embody conclusion of the World Social Summit in Doha in November 2025, after discussing its outcomes with social partners.

FOCUS 1: A NEW SUSTAINABILITY MODEL WITH DECENT WORK AT ITS CORE

In Doha, a new model of measuring sustainable and inclusive wellbeing will likely be proposed by a group of mandated highly qualified experts. A new development model will confirm the centrality of decent work and employment as driver of sustainable development which includes climate change, preservation of natural resources, circular economy and clean technologies[4]. This work will surely build on the idea that competitiveness belongs to an entire economy (and therefore to most of its enterprises) when many aspects, including environment and social dimensions, work properly. This approach is at odds with the model Competitiveness Compass which is in the very end very cost driven and shareholder-centred) (see Rethinking 2025 on est.etuc.org).

2.1.2 The current EU approach to competitiveness is misleading. Competitiveness can be associated to productivity, and social, cultural and political dimensions of the society in which businesses operate. Recent studies present a biased definition of productivity instead. It is correct to associate competitiveness and productivity to a large concept of

[4] It will propose a development paradigm based on development of natural capital, human capital, social capital, and built capital that could be relevant to develop a metric of economic and social success in the EU Semester, aligning with an exercise already started with the Strategic Foresigh Report three years ago (See Giovannini presentation at Rethinking 2025)

"rising living standards" (as Draghi does) or "people's quality of life" (like the IMD World Competitiveness Centre). However, we should not neglect that productivity relates to work output, as result of investment and technological progress, and therefore the overall concept of "people's quality of life" passes via quality of work. (ex. How Unions Can Increase Firm Productivity and Strengthen Economic Growth | WorkRise Network). Competitiveness, productivity and raising of living standards stay together but the glue is **a continuous improvement of working conditions in a logic of upward convergence. It means that "quality jobs" and "workers position" should be at the core of the EU agenda** for competitiveness and not at its margins as it appears to be in the most recent EU publications. The EESC in its opinion on "The role of trade unions in improving productivity (ECO666)" goes in this direction, for instance when it states that collective bargaining can contribute to productivity by promoting a positive and supportive working environment, recognising employee value, and encouraging collaboration and innovation including the application of worker-centric digital methods and Artificial Intelligence in the workplace.

2.1.3 **Productivity requires investments and support to private sector but this should be subject to precise social conditionalities**. Fairness in the market requires a level playing field in which minimum standards play for an upward convergence of working and living conditions in the EU. When entering a new era of global competition, we need to support intra-EU demand, increase productivity, support wages, but it is also important to protect targeted sectors via trade policies because competition outside the EU is not always "fair".

FOCUS 2: FAIR AND SUSTAINABLE TAXATION

The ETUC considers tax justice as a core pillar of a strong and ambitious European social model. The green transition, quality job creation, and strong public services require fair, progressive and effective taxation systems. Workers, on whose shoulders lies the highest tax burden, demand greater corporate tax transparency and stronger action against tax dodging and tax havens, within and outside the EU.

The current European political climate—marked by rising nationalism and fiscal retrenchment—threatens tax fairness. The labour share of income has been constantly declining in advanced economies, while companies' profits, unproductive revenues and wealth transmission's sources have been on the rise, also thanks to a lighter taxation compared to labour. It is time for a true progressive tax system that can redistribute income in a fair and efficient fashion, also establishing a legal framework that defines excess profits and taxes them accordingly during economic downturns to finance social spending.

The Semester can help a coordination enacting dialogue with social partners for a European Tax Justice Platform, bringing together national trade unions and civil society allies for strategy, intelligence sharing, and joint action. The overarching goal is to balance visibility and leadership of stakeholders in the tax justice debate, currently dominated by business interests. The strategic approach should include both macroeconomic and company-level dimensions.

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Corporate tax avoidance not only reduces public revenues for services and social spending, but also allows wealth created by workers to flow into tax havens. This undermines workers' bargaining power, limiting wage growth and weakening the virtuous cycle of fair taxation, strong public services, and better working conditions.

For that purpose the EU Semester can do more to

- create more policy consistency in CSRs addressed to member state

- take decisive steps to limit tax dumping, protect extend tax basis beyond work and aggressive tax planning

- create minimum requirements for progressivity and fairness of taxation in member states

2.1.4 The EU Semester should work to

- **Develop all dimensions of capital** needed (natural, human, social, technological) to define competitiveness through social progress.
- Expand **human capital investments**, education. and lifelong learning opportunities.
- Strengthen **social protection systems**, especially for those between jobs or in precarious jobs.
- Ensure **equal opportunities in digital transitions**, and adapt regulation to platform-driven disruptions.

Reform **tax systems** to create fiscal capacity for social protection and education at all levels

2.2 An agenda for security, resilience and the EU social model

2.2.1 The ETUC fully recognises the importance of a European defence capacity. Security is a fundamental condition for our societies and our economies to function, and Europe should take responsibility to satisfy the citizens' demand for protection. At the same time, what ETUC considers relevant for the EU Semester is that defence spending and social investment are not in trade-off. **It is the economic framework designed by the Commission – the Stability and Growth Pact and the fiscal rules – that forces governments to treat them as competing priorities.** Under the current logic, higher defence expenditure is tolerated, while social and green investments are constrained.

2.2.2 The ETUC concern is that this creates a structural imbalance. **Military expenditure has short-term effects that fade quickly, while social investment delivers long-term productivity, cohesion and resilience. It is important that specific social dialogue structures are put in place to create conditions for industrial companies to invest in the EU**, making of the environmental and social engagement of the EU a factor of success of its economy.

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2.2.3 The ETUC stresses that the debate on defense too often excludes public services, even though they are crucial for the resilience of society. Additionally, strong and well-resourced public administrations are indispensable for guiding and shaping both industrial and defense policy. Without them, strategic objectives risk being left solely to market forces or corporate interests. That is why ETUC argues that the Semester must create fiscal space for both.

2.2.4 The **National Escape Clause** already provides a precedent: if additional fiscal space accommodates spending gaps for defence, then a corresponding space must also be guaranteed for social investment. This is not about setting one priority against the other, but about ensuring that the EU has the means to fund both.

2.2.5 The ETUC is therefore not opposing defence, but warning against a "war economy" in Europe. The EU needs to invest in security, but equally in cohesion, sustainability and workers' rights – because without strong and inclusive societies, our democracies and our security are weaker. Military spending is largely unproductive and positive economic effects, including job creation, rapidly fade way. **The EU will move in the right direction if it will be able to finance an investment offensive that satisfies social, environmental and security challenges leveraging on EU debt within an EU Investment Facility. Such facility must complement the activation of an extra fiscal space in national budgets, enlarging the scope of the NEC, for investment that ensure territorial and social cohesion as full component of the security strategy.**

Climate change is still a toll on the EU resilience and economic sustainability

(Usman, Sehrish and Parker, Miles and Vallat, Mathilde, Dry-roasted NUTS: early estimates of the regional impact of 2025 extreme weather (September 14, 2025). Available at SSRN: https://ssrn.com/abstract=)

Table 4: Combined losses (mn €) and shares of 2024 GVA(%)

	GVA loss (mn €)		Loss as share of GVA(%)	
Country	2025	2029	2025	2029
Austria	-443.07	-1373.94	-0.10	-0.32
Bulgaria	-974.69	-2563.37	-1.08	-2.84
Croatia	-113.29	-329.21	-0.16	-0.46
Cyprus	-338.47	-871.37	-1.14	-2.94
Denmark	-241.94	-741.25	-0.07	-0.21
France	-10108.56	-33956.13	-0.39	-1.30
Germany	-813.73	-2480.03	-0.02	-0.06
Greece	-2321.30	-5976.10	-1.13	-2.90
Italy	-11857.79	-34233.91	-0.61	-1.75
Malta	-236.52	-608.90	-1.14	-2.93
Poland	-350.47	-1086.79	-0.05	-0.14
Portugal	-1319.49	-3581.49	-0.53	-1.45
Romania	-1538.46	-3960.71	-0.48	-1.23
Slovenia	-142.73	-442.61	-0.24	-0.75
Spain	-12200.15	-34819.98	-0.84	-2.40
Sweden	-24.26	-62.47	0.00	-0.01
Euro area	-39544.63	-117586.90	-0.29	-0.86
European Union	-42674.45	-126001.49	-0.26	-0.78

Notes: The table reports the sum of projected economic losses from heatwaves, droughts, and floods for 2025 and 2029. Losses are expressed in million euros (mn €) and as a share of 2024 Gross Value Added (GVA). Negative values indicate reductions in GVA on average level. Estimates are based on coefficients derived by Usman et al. (2025).

2.2.6 The financial effort should be supported by revenues generated by leveraging on extra-profits gathered by companies operating in sectors that are technologically and military strategic and therefore generously subsidised. It is possible to find consensus on the fact that companies which benefit from the geopolitical contingency - receiving subsidies and every kind of facilitation connected to the security emergency - will return part of their incomes to the society. It is also possible to find

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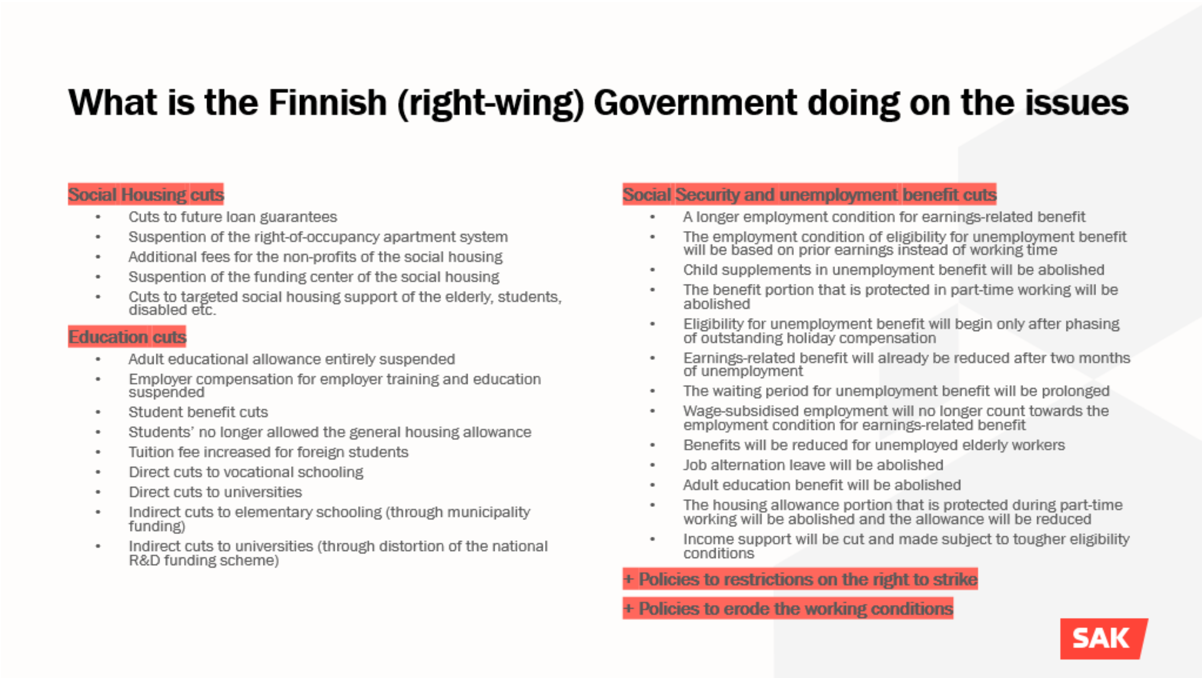
consensus on the fact that the same companies will be asked to achieve sudden increase of productivity to sustain the production capacity. Therefore, such **companies may be required to have closer dialogue with employees to activate social dialogue and collective bargaining practices that ensure fair working conditions in extraordinary times and respect of strict social conditionalities**.

2.2.7 We should thus wonder if the current EU agenda extremely bent on defence and short-term competitiveness is the one that the EU needs. **It is vital for the EU to revamp its social agenda delivering a Quality Job Roadmap.** The ETUC welcomed the Joint Employment Report 2025. Thanks to a renewed scoreboard and the social convergence framework the Joint Employment Report is able to raise labour related challenges into the EU Semester. This document will thus advance proposals for boosting social investments in the SGP and for Priorities for the Quality Job Roadmap in the EU Semester.

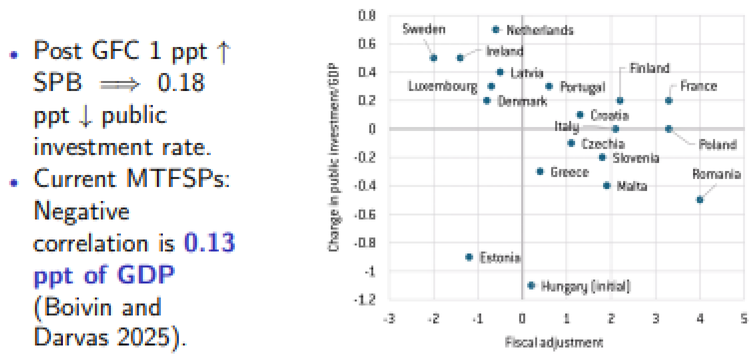
2.3. How to preserve social investment in the SGP

2.3.1 Why the ETUC pushes so hard on social investments? Some of these positive effects of social investments (not to be confused with policy tools called "reforms") are recognised by the by the Council of the EU in 2024, the European Commission in the Employment and Social Development Report 2025. This chapter offers some methodological suggestions to move from a scientific elaboration to identification of policy drivers that will make social investment an innovation in the EU Semester.

2.3.2 The Finnish case illustrates well how the rigid implementation of the reformed SGP may increase poverty or may encourage national recipes that will go exactly in the opposite direction of increasing social investment as the image below illustrates. The table below reports government policy choices that stem from the SGP, are austerity driven and inhibit social investment.



2.3.4 There are several things that it is possible to do to raise levels of social investments and revert the historically negative correlation between public investment and fiscal consolidation (which will likely to persist despite the current estimation of neutral fiscal stance).



SPB and investment in MTFSPs 2024-28

2.3.5 Remedies may include:

i. Technical Dialogue: Economic justification for recognition of social investment's growth benefits in assessment of Mid-Term Fiscal Structural Plans (MTFSPs). (German case could be relevant precedent.)

ii. Leveraging the National Escape Clause: Suspension of debt/deficit resilience safeguards under NEC increases benefits of long-term growth reforms. Additional space corresponding to defence spending increase since 2021.

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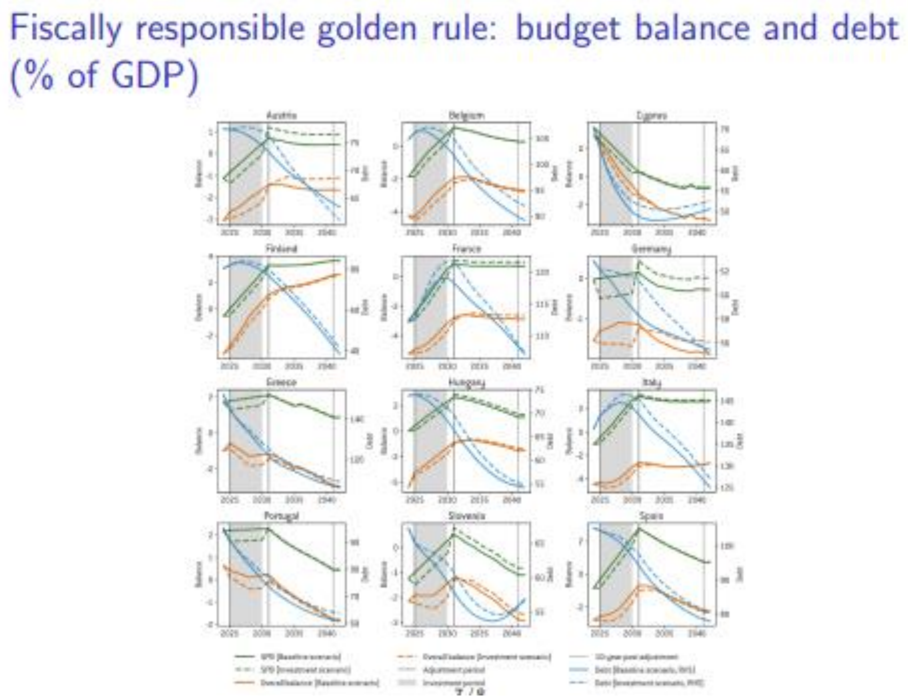
2.3.6 A huge bias may arrive from DSA analysis and Cost-of-ageing methodology which do not recognise the effects that certain types of social expenditure can have on future economic performances and positive impact on public finances. There is a vast and authoritative literature that provides ways to recognise growth effects of Social Investments. The EU Semester should deepen the discussion to achieve a robust mechanism for ex-ante approval and ex-post verification of social reform growth effects.

2.3.7 As second step a Fiscally Responsible Golden Rule may be introduced which exempt EU-endorsed public investments contingent on consistency with debt sustainability.

2.3.8 A third step may concern the Increase Debt Reference Value: extend the EU treaty's debt "reference value" from 60% to 90% of GDP. Maintain other new fiscal rule elements, excluding deficit/debt safeguards[5].



2.3.9 For the third year in a row (see ETUC for sustainable economy and social progress, Semester 2024 and 2025) the ETUC presents preferences for social investment (survey asking ETUC members to select priorities among mainstream EU Programmes):

[5] Outcomes of the ETUC Rethinking Session 2025, based on presentation from NAME (something needs to be inserted here?), and bibliography Boivin, Nicolas E. and Zsolt Darvas (2025). "The European Union's new fiscal framework: a good start, but challenges loom". In: Policy Brief 06/2025. url: https: //www.bruegel.org/policy-brief/european-unionsnew-fiscal-framework-good-start-challenges-loom. Darvas, Zsolt, Lennard Welslau, and Jeromin Zettelmeyer (2024a). "Incorporating the impact of social investments and reforms in the European Union's new fiscal framework". In: Working Paper 07/2024. url: https://www.bruegel.org/workingpaper/incorporating-impact-social-investments-andreforms-european-unions-new-fiscal. — (2024b). "The implications of the European Union's new fiscal rules". In: Policy Brief 10/2024. url: The implications of the European Union's new fiscal rules

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- investment in **skills** to be frontloaded and strongly financed
- access to **education** for all students, including those with **disabilities**
- **job creation** and labour market policies, active labour market policies,
- **gender policies** for non-discrimination and equal opportunities;
- **public services**, health, education, emergency services, public services.
- investments in people at higher risk of **social exclusion**.[6]

2.4 An agenda for the Semester waiting for the Quality Jobs Roadmap

2.4.1 The ETUC advanced its proposals for the announced and long-waited Plan for Quality Jobs. **Maintaining social policies high in the EU agenda for the semester means keeping the European Pillar of Social Rights as compass for the EU policies.** The European Union must deliver on its promise of improving living and working conditions, it is what we call "social progress". The Porto Headline Targets remain highly relevant. ETUC proposals allow to progress toward all the 3 chapters of the EPSR.

2.4.2 **Guarantee access to right to training.** As the education and skill targets are not at hands, the next Semester should pave the way to an EU legislative action to guarantee a EU-wide "right to training" for all. It has to monitor and evaluate upward convergence (if any) on access to high quality trainings and inclusive lifelong learning. What costs are discharged on workers and profiling those most in need of reskilling, in all geographical areas of Europe and in all sizes of companies and sectors of industries.

2.4.3 **A gender-sensitive approach** should include the promotion of collective bargaining based on gender-break through data collection and information on intersectional discrimination. In the social Joint Employment Report greater attention should be paid to women's labour market participation in full-time, uninterrupted careers, reduction of unvoluntary part-time and gender pension gap; implementation of all the measures foreseen in the Work-Life Balance and parental leaves directives and in the Directive on Pay Transparency (EU 2023/970).

2.4.4 As **Youth Unemployment** remains high the EU Semester should provide ground for improvement of a reinforced Youth Guarantee introducing quality criteria for all offers provided under the program, and new European investments accompanied by a guarantee of the national funds where the pilot practice proves successful.

FOCUS 3: YOUTH EMPLOYMENT CHALLENGES

***Youth Unemployment** remains high. While the EU average is at 14%, countries such as Spain or Sweden are consistently more than 10 points higher. After a decade of its existence, the report on **Reinforced Youth Guarantee** shows scares and uneven progress across Europe. The revision must include: 1) the introduction of quality criteria for all offers provided under the program, and 2) new European investments accompanied by a guarantee of the national funds where the pilot practice proves successful. Access to financial assistance under the Youth Guarantee should be conditional on compliance with these criteria to ensure meaningful and sustainable employment*

[6] See widely on definition of social investment ETUC for sustainable economy and social progress 2025, chapter 4. A definition that is similar but more inclusive than the one proposed by the EU Commission.

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*opportunities. **EU must adopt the Directive on Quality traineeships that will ban unpaid traineeships, improve transitions from education to the labour market and bring fair opportunities to all young workers.** The scope must include all type of traineeships, and that will set a level playing field across the EU.*

***Young people** are disproportionately working in non-standard forms of employment, part-time work, seasonal and precarious contracts, and undeclared labour. With combination of tools, the **EU must reinforce and adopt stricter policies to end precariousness**, concretely by preventing employers to use abusive practices and bogus internships, zero-hour contracts, or fixed-term contracts for roles that are essentially permanent. Young people, entering the labour market with limited leverage, are the first to bear the brunt of deregulation. At the same time, aggressive business models pursued by digital labour platforms routinely bypass core labour standards, undermining job stability and worker well-being. This trend runs counter to the very foundation of the European social acquis. To build a sustainable future, young workers need stable, fairly paid jobs that allow them to plan their lives, start families, and actively participate in society.*

2.4.5 **Tackling precarious work and ensuring quality jobs** in most exposed sectors and companies. We need to ensure as well adequate pensions to both present and future generations of retirees. The best way is by promoting and strengthening collective bargaining. ETUC links this with the establishing a **European Job Guarantee**: a public employment programme for the long-term unemployed, stabilising EU economies, designed to support local job creation and offer decent work, including the accrual of social protection rights, and social exclusion.

2.4.6 **The ETUC considers that the next Semester should be more effective in detecting and addressing impact of labour transitions especially those driven by green transformation and digital revolution.**

FOCUS 4: PAVING THE WAY FOR A JUST TRANSITION DIRECTIVE

As active labour market policies and protection of employees hit by transitions remain ancillary in NRRPs and almost non existing in MTFSPs, the EU Semester ability to promote just transition measures can be reinforced by a EU Directive on Just Transition. The ETUC proposal for Just transition include:

(i) guarantee early, meaningful worker information and consultation on transition decisions, and promote collective bargaining on job-to-job pathways and training;

(ii) establish an individual right to paid training during working hours, with VET time counted as working time and apprenticeships fairly compensated;

(iii) require undertakings to prepare transition plans developed with workers—both climate-mitigation plans (aligned with CSRD) and additional plans for any transition significantly affecting employment—shared with workers before finalisation and reported to the EU Fair Transition Observatory;

(iv) deploy early-warning tools for impending strategic or technological shifts; and

(v) apply effective enforcement and social-conditionality links to public funding and procurement to ensure compliance. The scope must explicitly cover green, digital and AI-driven transitions.

A 2024 ESDE report confirmed that the three main reasons workers do not re- or upskill are lack of time, family obligations and cost—unchanged since 2011[i]. While a right to training exists in

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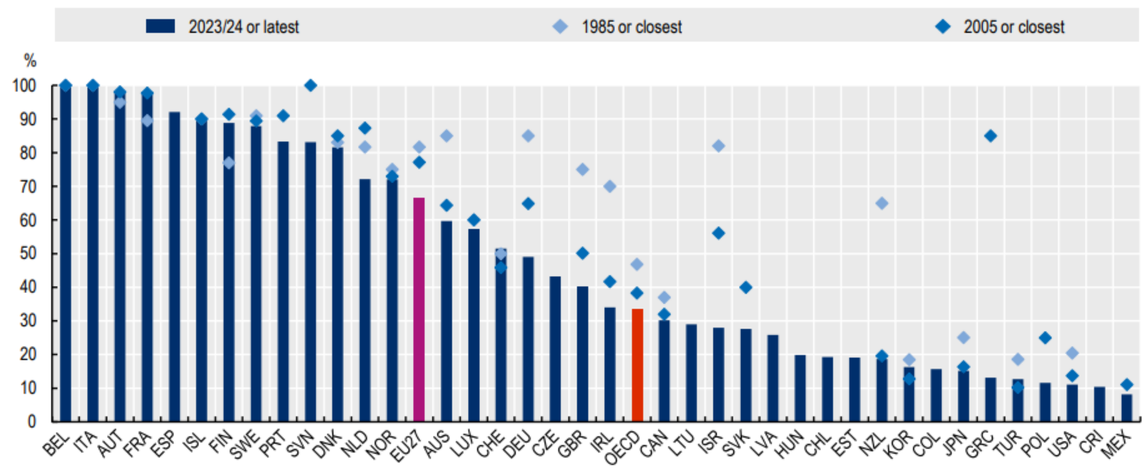
principle at EU and many national levels, without structured employer involvement, paid time and predictable financial support, it remains inaccessible for many workers. The result is a chronic skills shortage that is holding back Europe's workers, its competitiveness and its response to the climate crisis. The Clean Industrial Deal communication promised to tackle these barriers; the Semester should play its part to translate that promise into practice.

2.4.7 The EU needs a **comprehensive EU framework to strengthen and expand collective bargaining**, particularly at sectoral level, across all Member States. Coverage remains uneven across the EU, with several countries falling well below adequate levels. To address this, the next semester should contribute (together with other policy levers) to set clear objectives and benchmarks to guide and support Member States in reinforcing collective bargaining systems. EU funding and technical support must also be mobilised to build capacity, especially where industrial relations systems are weaker. **Promoting collective bargaining is not only essential for fair wages and working conditions, but also for tackling inequality and driving upwards social convergence across the EU**. A coordinated European approach can provide the necessary impetus and coherence to ensure collective bargaining thrives in every Member State.

Figure 3. Trends in collective bargaining coverage rate

Percentage of employees with the right to collectively bargain, 1985, 2005 and 2023/24 or latest year available



2.4.8 **All workers** – with a specific **focus on the most vulnerable such as migrant,** must be **guaranteed full equal treatment, fair and decent conditions for accessing employment, public services and accrual and enjoyment of social protection. People movement is key to make labour market more effective but migrant workers' need protection and equal treatment.** The EU Semester should help directing EU budget to empower trade union, regional and local support to mobile and migrant workers, effectively enabling trade unions to carry out tasks attributed to them under EU rules, helping workers to claim their rights under EU mobility and labour migration rules.

2.4.9 The implementation of Chapter III of the EPSR (Social protection and inclusion) calls for a revisiting of the methodology and **weight of the cost of ageing rule in the DSA and in the definition of fiscal trajectories and priorities for reforms and investments**. The **enforcement of the Council Recommendation on Access to Social Protection**

(2019) must be assessed on a permanent basis, and must entail tailor-made measures to address significant gaps in coverage, adequacy and effectiveness for all workers, including non-standard and self-employed workers. The ETUC reiterates the importance to ensure adequate pensions after retirement in sustainable public systems. The ETUC has developed a **methodology to monitor impact of improvement in activation policies, long-term contracts, reduction of involuntary and marginal part-time on accrual of pensions benefits** (ETUC methodology impact activation policies on pensions). The ETUC also demands that CSRs targeting pension policy in the Semester go through distributional impact assessment in case they impact on 1st pillar national pension funds.

2.4.10 The Porto Headline Target on Poverty reduction must be updated and better declined. The **EU Anti-Poverty Strategy** (see ETUC 2020 and upcoming steps) must be founded on truly **adequate minimum income schemes across all MS,** universal access to public and social services and other rights ensuring everyone the full enjoyment of the Pillar's rights, a life in dignity and full participation into the society.

2.4.11 **Public Services:** the EU Semester must take forward the recommendation of the Letta report for an Action Plan on services of General interest in the context of implementing the EPSR, with the ETUC committed to contributing to the public services agenda including social protection policies. We call on the Commission to deliver initiatives to follow up what is stated in the La Hulpe Declaration, which reaffirms "*the right and freedom for everyone to* ***access public services and services of general interest*** *of* ***high quality, including social services and essential services****, which are crucial for both social and territorial cohesion and sustainable competitiveness*." The Semester should reaffirm the universal **access to health and care**, including childcare, and that care and health are not commodities. We cannot accept the spirals that brings again to cut to health expenditure in the name of austerity or to divert investments in defence.

2.4.12 **Energy sector:** Evidence shows that decades of energy market liberalisation have resulted in price increases outpacing inflation, undermining the right to energy and exacerbating energy poverty across Europe. Given the essential nature of electricity and the lack of viable alternatives, shortages often trigger sharp price spikes, forcing consumers into harsh choices such as whether to 'heat or eat'. What is required instead are **profound reforms to ensure that all components of our electricity system are guided towards net-zero carbon emissions** in a way that is environmentally responsible, economically viable, and socially fair.

3. Trade union involvement

3.1 The EU Semester is one of the tools that the EC can use to favour positive development in social dialogue at national level. The social convergence framework reinforces social dialogue and must be supported and consolidated as policy driver in the EU semester if social partners will be involved in systemic and structured way. The Box below gives an example of benefit it can have at national level.

FOCUS 5: TRADE UNION INVOLVEMENT: BENEFITS AND CHALLENGES – ROMANIA

The European Semester is one of the few instruments for an integrated evaluation of economic and social policies. It means for the Romanian trade union movement the opportunity to express a point of view on the evolution of the national economy and labour market and the preparation of country recommendations.

The Semester was a good opportunity to raise the alarm about the social dialogue reform carried out in 2011, and its impact on collective bargaining in particular. Following insisted inputs from Romanian trade unions, the Commission addressed a recommendation on social dialogue. A new social dialogue law was finally adopted in Parliament, but bad as the old one. With the help of the Commission, it was possible to amend this law by means of an emergency ordinance. ***Since then social partners have a forum for discussing EU countries' fiscal, economic and employment policy challenges under this common annual timeline.***

The Semester may bring values to workers especially via social dialogue when activated timely and in good faith. Setting the minimum wage on the basis of a calculation mechanism was another element gained on the basis of the European Directive 2041/2022 and country recommendations within the European Semester.

Unfortunately, also in recent events - reported to the European Commission in an urgent meeting end of July 2025 - trade union movement is extremely little involved in Governments' decision stemming from the European Semester process, also when such decisions directly affect workers' interests. Social progress requires a tireless effort of balancing of interest in public policies with a structure involvement of representative trade unions (being ETUC affiliation a key criteria of relevance).

In the post-pandemic period, the involvement of the social partners at national level completely disappeared. Not even the Commission Representation organised debates on the country reports. As a result the recommendations are unknown to people and ignored by the government. Social partners involvement in the European Semester and the RRF vary across Member States and, in Romania, the most criticised aspects are the following:

- communication with stakeholders is not of sufficient quality and transparency;
- the participation of social partners is rarely effective or useful;
- the timeframe for consultation of social partners too narrow;
- Often NRPs and CSRs are not very well structured in their objectives and reform proposals, and their social content is inadequate;
- The level of compliance with the CSRs is deficient and sanctions proved to be ineffective.

The Semester should be the tool to measure the indicator on collective agreement coverage and on workers' participation (in companies' decisional bodies a percentage of workers' representatives should be encouraged). An indicator could be the numbers of autonomous agreements negotiated.

The European Semester must be tied to the goals of the just transition and social progress. National plans should be linked to recovery goals and focus on ensuring social cohesion and reducing inequality and socio-economic insecurity.

In case of any reform, workers´ interests have to be carefully respected and adequate public investment is necessary. If link between the European Semester and the Cohesion Policy is further consolidated, the territorial aspects should be included in the European Semester.

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3.2 However, the EU Semester lacks a stable and result/oriented framework for social partners-involvement. The risk is to fall into a tick-the-box exercise that penalises the capacity of the EU Semester to design impactful economic, social and environmental policies, or to meet its social objectives.

3.3 European social partners advanced their proposal in a joint statement last year. It was the object of dialogue with the European Commission, and some improvements are already visible. However social partners ask

- that involvement at national level is better structured, made mandatory and that in the framework of the Social Convergence Framework, social partners are offered the possibility to advance proposals for CSR, if they wish so.

- that consultation of social partners at EU level may cover all aspects of the EU semester in order to better catch the intersectionality of fiscal, social, economic, industrial and environmental policies.

- this implies that social partners should be given the opportunity to be consulted on methodology and the DSA or works of the European Fiscal Board. For instance, in this paper, the ETUC advances clear demands on how to treat social investment in the DSA.

3.4 The ETUC will advance country-specific proposals to identify policy drivers and investments that should appear in both MTFSPs and (eventual future) NRPPs. It is crucial that CSR 2026 have strong social connotations and that social CSRs move in the direction of the broad priorities presented in this document and more specifically take into account country specific inputs submitted by ETUC members.

3.5 The ETUC calls on the Commission to open a dialogue with European Social Partners for an EU regulation that would establish obligations to involve social partners in the European Semester process and the EU's economic governance framework. This regulation would define the basic principles and characteristics of the participation process that should be respected in the procedures of the Member States, in the respect of their social dialogue practice as long as it does not affect prerogatives of social partners.