

Annex 2 to the General Secretary Communication item 5 of the December 9-10 Executive Committee

Adopted at the virtual Executive Committee Meeting of 9-10 December 2020

ETUC assessment of the European Semester Autumn Package

On the 18th of November the European Commission presented the autumn economic policy package, including:

- the Joint Employment Report (JER);
- the policy recommendations for the Euro Area;
- the Opinions on euro area Draft Budgetary Plans (DBPs) for 2021;
- the Alert Mechanism Report.

The a Joint Employment Report (JER) analyses the impact of the COVID-19 pandemic on the employment and social situation in Europe. The COVID-19 crisis has broken a six-year-long positive trend in the labour market. The EU suffered the 'sharpest decline ever' in employment over any two-quarter period, even if the increase in the unemployment rate has been moderate so far as a result of the swift adoption of short-time work schemes and similar measures.

The report rightly focuses on the economic and social impact of the pandemic on the most vulnerable and precarious workers. The ETUC believes that the emergency job support measures must be extended by the EU, member states have to put in place all the programmes needed to stop the situation becoming even worse. Not only short-time work schemes should be extended in their duration, but they must finally be fully open to non-standard workers who the Commission says have been 'more severely affected'. The dire situation of women, young people and migrants amidst the crisis is rightly evaluated, yet the recommendations fall short of providing appropriate solutions.

The **gender** pay gap should be addressed, along with binding measures promoting pay transparency, the implementation of the principle of equal pay for work of equal value, and the fair wages for highly feminised sectors. No references are made to the impact of telework on women, especially in the light of the lockdown and/or the closure of schools.

Migrants must be guaranteed fair and decent conditions to access employment, thereby avoiding discrimination. It is also necessary to promote greater mobility between Member States for those who already have a permit, and to take steps to regularise migrant workers by ensuring that they have regular jobs.

The **Youth** Guarantee is a tool with great potential to promote youth employment also therefore would counter the social consequences of the Covid-19 crisis. However, it can only be successful if the evaluation of the current programme is taken into account and if the sectorial, national, and Europeans social partners are involved in the design, implementation and reporting of its future version.

This year's JER also provides guidelines to Member states for drafting the national recovery and resilient plans (nRRPs). These include a reminder to national governments to involve social partners when preparing the nRRPs. Moreover, they highlight, several times and in a good way, that the involvement of the social partners in developing and implementing policies and reforms is positive to mitigate the negative effects of the crisis and provide input to accommodate new technological developments.

The COVID-19 crisis is a powerful reminder of the importance of social protection. The JER clearly denounces that the fiscal policy measures adopted in response to the crisis will be completely insufficient in terms of cushioning effect with respect to poverty and social exclusion. This also when considering both the pre-existing social protection as well as additional emergency measures.

The analysis of the pre- and post-pandemic data clearly shows that the pandemic has only added onto an already very difficult situation with respect to inequalities, poverty and social exclusion. Developments in the EU in terms of reducing poverty and social exclusion remained very limited also in 2020 before the impact of the Covid 19. Most countries in Eastern and Southern Europe remain below the EU average, although with some very slight improvement. The 2019 CSRs with respect to income protection and inclusion schemes have not been implemented as required. In 2019, in-work poverty remains stable at high levels. The poverty level remained unchanged in 2019, in spite of the overall improvement in income levels. Minimum income scheme's adequacy has been eroding in almost all Member States when compared to poverty thresholds and incomes of low wage earners.

Income inequality trends show a consolidated increase at the lower end of the income distribution. While the high quintile is untouched, moves in the lower one confirm how limited resources are sought for by a massive population of low earners. The evident further weakening of convergence confirms a race to the bottom in many countries.

The monitoring framework on access to social protection shows that there remain significant gaps in the protection of the self-employed and non-standard workers. Even though they are formally covered, some non-standard workers and the self-employed may de facto have limited access to social protection. Temporary measures do not substitute the need to expand social protection for those who are not covered on a more permanent basis.

Furthermore, the social protection expenditure in the EU is still insufficient to address the pension and health-needs connected to the demographic trends. Nevertheless, the social transfer impact on poverty remain very low, pension adequacy has worsened, the gender pension gap is still increasing, health access and affordability for 50+ has been reduced (one 50+ out of five could not access or afford any health care since the COVID outbreak). It is clear that the restrictive fiscal policies applied to the "cost of ageing" are only generating an overall worsening of living and working conditions of elderly people in the EU.

The new crisis has also put Member States' health systems under unprecedented stress. In addition to challenging the crisis response capabilities of Member States, it has exacerbated existing structural challenges related to effectiveness, accessibility and resilience of health systems. Long-term care (LTC) systems have been strongly affected by the pandemic, due to their users' high vulnerability to the disease. The need for LTC is growing as the EU population ages. Yet, a large share of those with these needs do not have access to personal care services.

Moreover, the fact that the social protection systems of around a third of member states are totally unprepared to deal with an unemployment crisis, is an argument in favour of our request to put in place more economic and employment automatic stabilisers.

The report also shows, as ETUC has been warning, that youth unemployment has increased more than overall joblessness and that there has been a sharp rise in young people not in employment, education or training. The ETUC welcomes the focus on the need to upskill and reskill; and the urgent need to reinforce the capacity of PES, by investing in modernising their information and communication technology (ICT) infrastructure, strengthen profiling systems, and provide PES staff with adequate skills. We would have also appreciated appropriate input on quality jobs creation.

The report makes a strong case for the implementation of the European Pillar of Social Rights as the way to guarantee that the recovery is fair and inclusive. Also, specific reference is made to the need to guarantee 'fair working conditions'. The report rightly points out the relationship between the maintenance of jobs during the pandemic with the share of open-ended contracts in different Member states. Fixed-term contracts should serve as a steppingstone into the labour market and not lead to precarious working conditions. Fixed-term contracts shall only be used when there is a temporary need and not lead to precarious working conditions.

When tackling the situation of long-term unemployed workers, no reference is made to the political leverage that can be made by the Council recommendation on long-term unemployment.

The report recommends keeping short-time work schemes in place as long as necessary. However, no references is made to the need of establishing a European unemployment reinsurance scheme, which was already discussed before the Covid-19 outbreak, yet the economic and social consequences of the pandemic are making the discussion of such an instrument all the more necessary.

It is unacceptable that no reference is made to occupational safety and health. In the context of the Covid-19 pandemic, a healthy and safe workplace is vital in order to combat the risk of getting infected and of spreading the virus and other diseases. Employers need to take their responsibility of the health and safety of their workers seriously. They should provide workers and their representatives with adequate information, make risk assessments and take preventive measures.

The 2021 Joint Employment Report integrates a regional dimension to the Social Scoreboard. This is a good novelty, gathering evidence on the regional situation, on the basis of the social scoreboard. In particular, a series of maps by Member State showing regional breakdowns, make it possible to better understand how different regions in a country fare as regards to key dimensions of the Pillar. It and helps monitor convergence within countries, assess the impact of regional policies and shape regional policy-making.

The latest quarterly figures were used instead, as usual, the yearly ones in terms of the labour market headline indicators, which is welcome. Unfortunately, social and skills data were only available for the pre-COVID period.

Nonetheless, across the 14 domains assessed in the Social Scoreboard, overall 116 'critical situation', 'to watch' or 'weak but improving' cases are identified, i.e. about 33% of the total number of assessments. That is not a good result.

The recommendation on the economic policy of the euro area (**Euro area recommendation**) presented advice to euro area Member States to take action, individually, including through their Recovery and Resilience Plans, and collectively within the Eurogroup, in the period 2021–2022 to: (i) Ensuring a policy stance which supports the recovery; (ii) Further improving convergence, resilience and sustainable and inclusive growth; (iii) Strengthening national institutional frameworks; (iv) Ensuring macro-financial stability; (v) Completing the EMU and strengthening the international role of the euro.

The recommendation calls on euro area Member States to make sure that their fiscal policies remain supportive in 2021. It also calls on Member States to reorient fiscal policies towards achieving prudent medium-term positions once epidemiological and economic conditions allow. It encourages Member States to strengthen national institutional frameworks and to implement priority reforms and investments that can make the euro area and its members more sustainable and resilient. Such reforms and

investment measures should create the right conditions for the economic recovery consistent with the green and digital transitions.

However, when referring to reforms, we have to be careful not to repeat the mistakes made in the past, related to structural reforms that were detrimental to workers and collective bargaining structures at national and sectoral levels. Recommendation ii goes in the same direction: “Mitigate the risk of further divergence and enhance economic and social resilience in the euro area by implementing reforms that strengthen productivity and employment”.

Moreover, although the General Escape Clause will remain active for the whole 2021, the recommendations require “the full respect of the Stability and Growth Pact (SGP)”, when coordinating national fiscal policies to respond to the COVID-19 impact. This twofold approach remains unclear to us.

There is no mention of the economic governance review or modifying the fiscal rules. There is, instead, the usual narrative about the refocus of fiscal policies in order to achieve fiscal sustainability in the medium term. However, Recommendation (i) mentions that “As the health emergency persists, fiscal policies should remain supportive in all euro area Member States throughout 2021.”

The tax-wedge on labour is once again mentioned, not considering it includes also social contributions: “As the tax wedge on labour in the majority of euro area Member States remains high, these include shifting the tax burden towards tax bases that are less detrimental to labour supply, productivity, investment and growth, while taking into account the related distributional impact”. This is also present in recommendation (ii), “lower the tax wedge”, even though *on labour* is not mentioned, which is even more worrying.

Finally, about tax avoidance, it is relegated to the OECD framework to reach a global-consensus based solution to address tax challenges arising from the digitalisation of the economy, without mentioning the CCCTB.

The **Alert Mechanism Report** (AMR) finds that while macroeconomic imbalances were narrowing prior to the COVID-19 crisis, risks of imbalances appear to be on the rise in Member States that were already experiencing imbalances prior to the pandemic. For this reason, an in-depth review to identify and assess the severity of possible macroeconomic imbalances will be prepared for 12 Member States (HR, CY, FR, DE, GR, IE, IT, NL, PT, RO, ES, SE).

The report itself warns that the Monitoring of Policy response to the pandemic will be evaluated during the spring 2021. Therefore, the document has very light political weight at the moment.

When describing the actual employment/unemployment situation and mitigating effects of short-time work arrangements, the Commission is rightly concerned about the expected increases in unemployment (as it typically happens after recessions), especially in the sectors strongly affected by the pandemic. That is why ETUC is asking for supporting policies to be envisaged and financed for, more or less, a 5 years period.

Moreover, on short-time work schemes (STWS), and on the fall in average hours per worker, the Commission mentions the subsequent evolution of Unit Labour Cost (rises when productivity descends). The ETUC believed that productivity in 2020 would be affected by this circumstance, especially in sectors where the presence of STWS is relevant, even though it cannot be true for all of the sector (e.g. health). Although the overall productivity figures are not very significant in 2020 and 2021 for compensation, its performance should be examined depending on the sector. Typically, many public services are going to undergo a completely different evolution.

The **opinions on the Draft Budgetary Plans of euro area Member States** correctly consider the ongoing health crisis, the high level of uncertainty and the severe economic downturn resulting from the COVID-19 outbreak. They therefore look especially at whether the planned supportive budgetary measures for 2021 are temporary and if not, whether offsetting measures are planned.

However, the Commission reiterates that given the level of government debt and high sustainability challenges in the medium-term before the outbreak of the COVID-19 pandemic, it is important to ensure that, when taking supporting budgetary measures, fiscal sustainability in the medium-term is preserved.

Basically, countries can continue providing fiscal support to emergency measures and protection of employment. In our opinion, taking care of medium-term objectives could be considered as a formal statement. The current economic governance system, despite the activation of the General Escape Clause, requires a convergence program if the member states debt/GDP ratios are above 60%. Actually, the overall assessment of the Draft Budgetary Plans seems positive. We do have, however, concerns.

The Commission says that in certain countries, some measures are not in line with the temporary actions needed to counteract the crisis, and they seem to affect the long-term balance, through the structural deficit. It has specifically targeted pay increases for health workers in Belgium and France and civil servants in Spain as problematic. ETUC rejects the return to austerity measures including pay freezes and reduction of staff. The pandemic underlines the impact of years of such measures on our health and social protection systems, for example the Opinion on DBPs clearly states that support measures for jobs and the economy should be financed via either new tax revenues or compensatory savings (i.e. cuts) otherwise they put the MS finances at risk. It is time to address wealth inequalities.

This year's package also includes a Staff-Working Document on "**Delivering on the UN's Sustainable Development Goals – A comprehensive approach**". This document is actually just a collection of Commission's initiatives falling under the umbrella of SDGs. However, it confirms our point of view that the semester is the policy coordination framework for the SDGs and also the EPSR. That said, the document itself has no real added value other than the fact that it announces the Commission may be holding a sort of voluntary SDG review at the next UN's HLPF on SDGs in July 2021.

The document also provides us with some new pieces of information that may be somehow helpful for our work on SDGs:

- With the 2021 Voluntary National Reports, all 27 EU MS will have undergone the UN's SDG review.
- The Commission may be holding some presentation of its initiatives related to the SDGs at the next UN's HLPF in July 2021 and is planning a to prepare a sort of voluntary SDG review by the HLPF 2023.
- The ETUC welcomes the fact that the EC foresees the Conference on the Future of Europe will be a new public forum for an open, inclusive, transparent and structured debate with citizens about a number of key priorities and challenges, including the implementation of the SDGs.