ETUC's DECENT WORK & SUSTAINABLE GROWTH INDEX

BRIEFING NOTE

KEY MESSAGES

1. No EU country has a sustainable and fair economic model to date and the EU as a whole is making 'very slow' progress on decent work;
2. In 2019, 10 countries are still below the 2010 EU average, including those most hit by austerity;
3. There is a trade-off between the EU's development model and climate targets;
4. EU member states can create a greener and more digital future investing RRF funds in social justice, people and jobs;
5. EU member states should profoundly reform the EU's Economic Governance Framework to support sustainable well-being and inclusiveness.

THE EU's DEVELOPMENT MODEL IS FAR FROM BEING SUSTAINABLE AND FAIR
Decent work and sustainable growth are one of the United Nations' Sustainable Development Goals which the EU signed-up to in 2015. The report prepared for the ETUC by a team of researchers of the highly respected Italian Alliance for Sustainable Development (ASviS), led by Prof. Enrico Giovannini, measures progress towards the goal on three measures: economic wellbeing, employment quality and labour vulnerability (merged also into one overall index).

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Group	Countries	2010	2019	Score Variation
Best in Class	Netherlands	107.9	109.6	1.7
	Denmark	107.4	109.5	2.1
	Finland	106.8	109.4	2.6
	Sweden	107.1	109.2	2.1
	Austria	103.1	108.5	5.4
	Belgium	104.9	108.5	3.6
	Slovenia	104.6	108.1	3.5
	France	103.4	106.1	2.7
	Germany	102.3	105.9	3.6
	Luxembourg	104.9	105.0	0.1
Track Riders	Malta	96.7	103.2	6.5
	United Kingdom	101.6	102.5	0.9
	Czech Republic	97.3	102.4	5.1
	Hungary	97.1	102.0	4.9
	Estonia	97.0	101.9	4.9
EU avg	EU 28	100.0	101.8	1.8
Lower than EU avg	Ireland	99.6	101.7	2.1
	Slovakia	96.6	101.5	4.9
	Lithuania	93.9	100.5	6.6
The 10 years behind	Poland	94.0	99.8	5.8
	Croatia	95.3	99.3	4.0
	Cyprus	97.4	99.3	1.9
	Latvia	92.4	98.9	6.5
	Portugal	95.2	97.6	2.4
	Spain	94.9	97.1	2.2
	Italy	94.5	94.8	0.3
	Bulgaria	89.7	94.7	5.0
	Romania	87.4	90.8	3.4
	Greece	90.8	89.7	-1.1

LEGENDA

Category	Score
Decent & Sustainable	120 > 130
Frontrunners	110 > 120
Best-in-class	106 > 110
Track Riders	EU avg > 106
EU avg	EU avg
Lower than EU avg	Under 2019 EU avg
The 10 years behind	Under 2010 EU avg

Category	Score Variation
	≥ 5 pts
	+ 3 > 5 pts
	+ 1 > 3 pts
	+ 0 > 1 pt
	< 0 pts
	< - 3 pts
	< - 5 pts

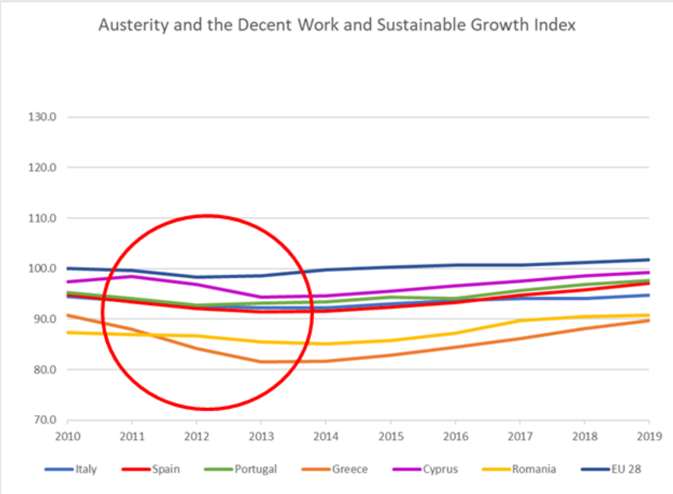
ETUC found that economic wellbeing has got worse in the EU since 2015, while the situation has barely improved when it comes to employment quality or labour vulnerability.

Despite being a leader globally, Europe's development is far from being sustainable, is not sufficiently inclusive and fair, and is not fully compatible with environmental constraints. Also, it has made little progress in recent years, with Greece that has even gone backwards.

As one can see from the table on the left, no EU member state reaches the two top categories ("Decent & Sustainable" and "Frontrunners"). The best performers only feature the "Best-in-class" group as they score fewer than 110 points. Also, best-in-class are quite close to the EU-28 average – with the Netherlands, top of the chart, which performs just 8 points (slightly more than 10%) better than the EU average.

AUSTERITY HOLDS BACK LESS FAIR & SUSTAINABLE COUNTRIES

However, the most astonishing data comes from the lowest end of the table, featuring a total of 13 countries. Here, one can see that 3 countries are a few decimals shy of the current EU average while 10 member states score even worse than the 2010 EU average – basically, they are 10 years behind!

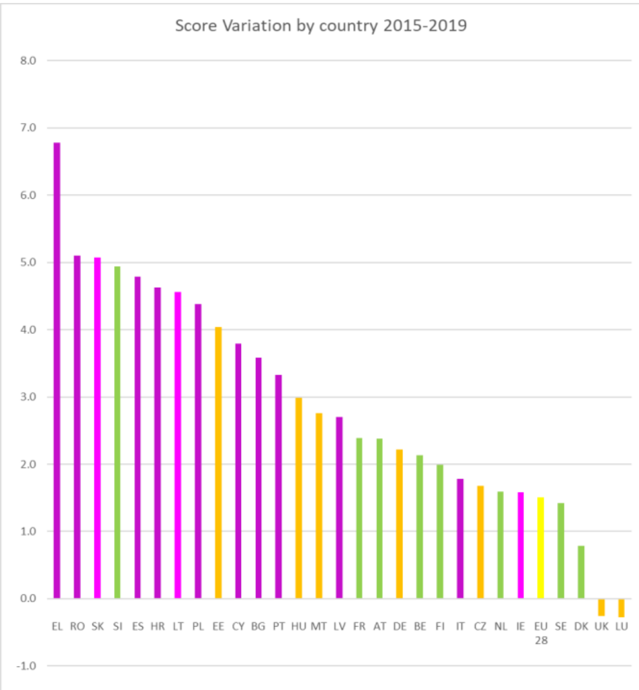


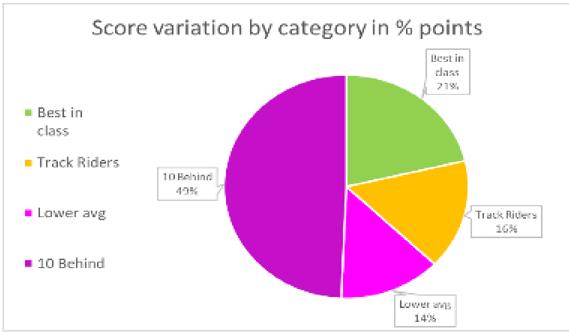
Looking at these countries it is easy to split them in two groups: the first featuring countries with a transitional economy background (Bulgaria, Croatia, Latvia and Poland) and a second group with member states that were most hard hit by the austerity measures imposed by the so-called *Troika* (Cyprus, Greece, Italy, Portugal and Spain) – plus Romania fitting in both groups. The graph on the right shows the evolution of the Index scores of the "Austerity Club" countries through the period 2010-2019.

It clearly shows how the austerity policies and the double-dip recession (2011-2013, highlighted by the red cercle) negatively affected the capacity of these member states to move forward a more sustainable and fairer economic model. Austerity impacted the performances of these countries, preventing them from catching up with the rest of Europe and condemning them to remain in the lowest end of the EU28.

EU URGENTLY NEEDS A GAME CHANGER TO ACHIEVE DECENT WORK AND SUSTAINABLE GROWTH

Given their relatively low scores, all EU countries have still a lot to do. Indeed, as the graph below on the left tells us, better performing countries struggle to improve while member states with low performances are not able to improve as much as needed to catch up with the highest end of the group. The graph above on the right makes it more explicit.





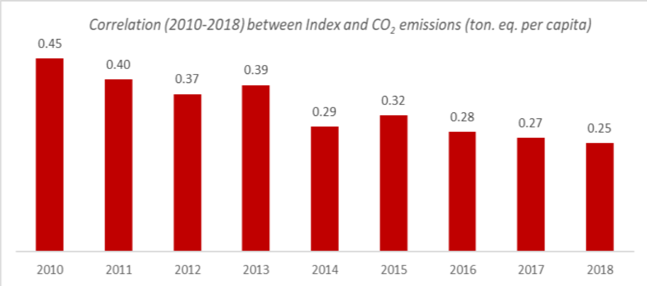
Here, one can see that, 2015-2019 most progress was made by some of the worst performing member states that account for 63% of the total improvement though their results are still poor.

It is not a coincidence that these countries restarted climbing up since 2015, i.e. since the Juncker's Commission made use of the flexibility within the Stability and Growth Pact and promoted some more balanced and more social policies (culminating with the proclamation of the European Pillar of Social Rights in 2017 and the adoption of the European Green Deal in 2019). The loosening of fiscal constraints allowed those member states to get back on track, at least until the Covid-19 pandemic broke out.

THE EU's DEVELOPMENT MODEL NEEDS ALSO TO BECOME GREENER

The urgent need for a game changer is highlighted also when crossing the index scores with CO2 emissions (used as a proxy for SDG 13 on climate change). There is a trade-off between the EU's development model and climate targets – though its magnitude is decreasing over time, as shown by the graph below. This means that each 1-point progress up the index scale may potentially cost a 0.25% increase of CO2 emissions (against an almost double value at the beginning of the last decade)

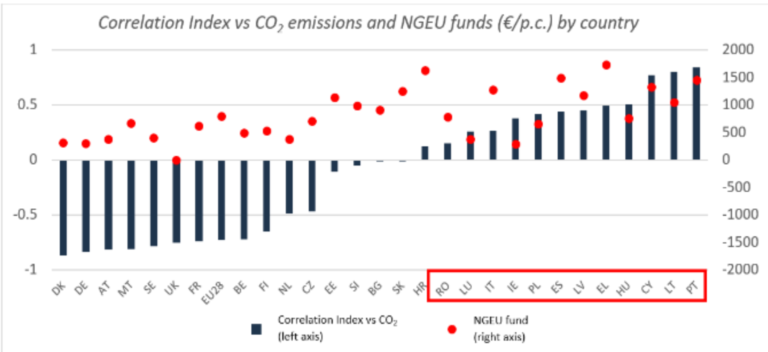
However, significant differences appear among countries. Most of "mature" EU countries prove to be able to keep these two dimensions together, while other countries (i.e. Italy, Spain Portugal and Eastern Europe) are characterized by a persistent trade-off between the Decent Work and Sustainable Growth Index and the environmental dimension (see the graph below). In a nutshell, too many EU countries have not yet been able to strike the balance between economic development and environmental sustainability.



THE NEXT GENERATION EU IS A POSITIVE STEP FORWARD

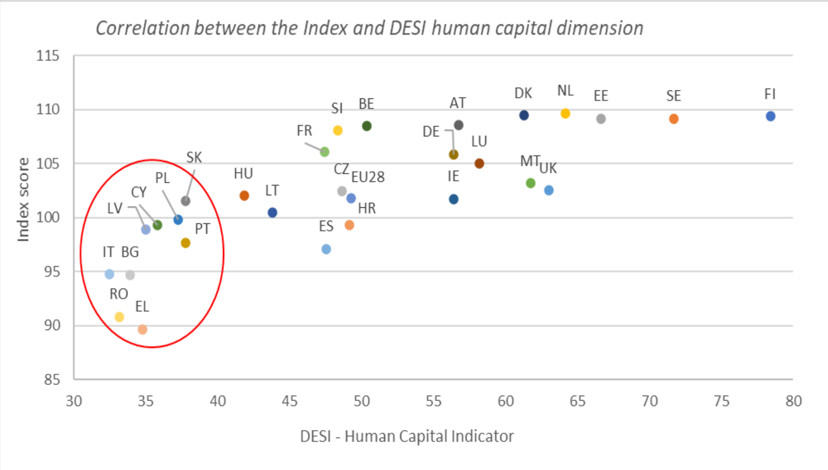
The picture stemming from the above chart and graphs clearly tells us that policies adopted so far are not enough to radically change our development model, making it fairer and sustainable.

In this context, the resources made available by the Next Generation EU programme[1] become crucial to soundly improve EU member states development. EU member states are called to make the best use of the Recovery and Resilience Facility and other funds to massively invest to manage the green and digital transitions while empowering social resilience, delivering a People's Recovery. As shown by the graph on the right, the allocation of funds made by the Next Generation EU seems to be well calibrated to finance countries which need it most. On average, countries with a stronger trade-off between sustainability and environmental targets will indeed receive more resources for investing in transforming their production system.



[1] For the purpose of this note, the resources taken into account include: (i) Recovery and Resilience Facility Grants; (ii) REACT EU; and (iii) Just Transition Fund. *Source: European Commission, calculations: ASviS*.

Looking at the previous graph (on CO2 emissions) and the following one on the digital skills of Europeans (i.e. the human capital indicator of the Digital Economy and Society Index, DESI), it is easy to realise that the burden of austerity played a major role to maintain the divide between worst and best performers in terms of transition toward a greener and more digital economy. Indeed, Greece, Italy, Spain, Portugal and Romania – included in the red bar and circle in the two graphs – are among those that perform worse in both fields[2]. Austerity prevented member states most in need to spend in strategic public investment as much as needed, thus creating a vicious cycle. The lesser investment, the more difficult to close the divide, so leaving economies and societies struggling to undergo the necessary change.



THE LONG-AWAITED OVERHAUL OF EU ECONOMIC GOVERNANCE FOR RESHAPING THE FUTURE

The extraordinary and temporary impetus provided by the RRF and other recovery instruments will not be enough to have a long-term impact and to thoroughly reshape Europe's economy.

In that regard, the Action plan implementing the European Pillar of Social Rights moves in the right direction and will be able to drive the green and digital transformations if it delivers a tangible impact on people's well-being, inclusiveness of the labour market and social protection systems, as well as by tackling vulnerabilities of most disadvantaged groups.

EU leaders should also exploit the current political momentum to profoundly reform the Economic Governance Framework to ensure that new rules allow expansive fiscal and economic policies to support sustainable well-being and inclusiveness and to achieve a fairer and greener future.

[2] Exception made for Spain which performs slightly better with regards to the DESI index and is close to the EU average.

A CLOSER LOOK AT WHAT MAKES THE EU UNFAIR AND UNSUSTAINABLE

As explained above, the ETUC's Decent Work and Sustainable Growth Index monitors and ranks the degree of achievement of the Sustainable Development Goal 8 objectives by EU member states. The index is based on 3 composite indicators corresponding to: (i) economic well-being, related to economic performance and living standards; (ii) employment quality, related to labour market output; and (iii) labour vulnerability, related to labour market outcomes. Below are the results from these 3 dimensions.

Economic well-being

The economic well-being composite indicator monitors sustainable progress for all In this perspective, we believe that what is most important is the capacity of a society to fairly share the wealth produced, by providing high living standards to today's workers and citizens while investing in providing the next generations with enabling conditions to still improve their life. For this reason, going "beyond GDP" needs a set of indicators able to reflect the complexity of the reality of a country in a more reliable manner.

Group	Countries	2010	2019	Score Variation
Frontrunners	France	104.7	112.0	7.3
	Belgium	105.9	111.5	5.6
	Netherlands	107.8	110.8	3.0
Best in Class	Austria	100.9	109.6	8.7
	Slovenia	104.1	109.5	5.4
	Denmark	103.0	107.9	4.9
	Sweden	106.3	106.6	0.3
Track Riders	Ireland	104.7	105.5	0.8
	Slovakia	101.3	105.4	4.1
	Germany	100.3	104.6	4.3
	Czech Republic	99.5	104.5	5.0
	Luxembourg	104.2	102.1	-2.1
	Hungary	101.8	101.9	0.1
	Cyprus	98.7	101.9	3.2
	Malta	96.8	101.2	4.4
	Croatia	93.0	100.9	7.9
	Poland	93.7	100.6	6.9
EU average	EU 28	100.0	100.2	0.2
The 10 years behind	United Kingdom	99.0	99.1	0.1
	Estonia	99.0	98.0	-1.0
	Italy	95.0	97.6	2.6
	Greece	91.3	97.2	5.9
	Lithuania	92.6	96.8	4.2
	Portugal	91.7	96.6	4.9
	Spain	95.1	96.5	1.4
	Latvia	91.8	95.6	3.8
	Bulgaria	89.8	89.4	-0.4
	Romania	83.9	85.9	2.0

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Employment quality

The concept of employment too often lends itself to an interpretation only looking at the mere "economical" side of the picture. On the contrary, our employment quality indicator incudes the quantitative and qualitative aspects, thus ensuring a better compatibility with the priorities of the SDGs. This indicator monitors employment and unemployment rates, alongside the inclusiveness of a country's labour market and the access to collective bargaining (which ensures better working conditions through social dialogue).

Group	Countries	2010	2019	Score Variation
Frontrunners	Netherlands	109.9	110.2	0.3
Best in Class	Sweden	108.7	109.9	1.2
	Austria	108.1	109.9	1.8
	Denmark	108.7	108.8	0.1
	Finland	107.4	108.4	1.0
	Slovenia	104.0	107.4	3.4
	Germany	104.7	107.4	2.7
	Belgium	103.9	106.9	3.0
Track Riders	France	104.5	105.0	0.5
	Luxembourg	102.4	104.2	1.8
	Estonia	93.2	103.6	10.4
	Lithuania	91.6	103.1	11.5
	United Kingdom	101.1	102.5	1.4
	Malta	89.6	102.4	12.8
	Czech Republic	99.3	102.1	2.8
EU average	EU 28	100.0	102.1	2.1
Lower than EU avg	Latvia	89.6	101.6	12
	Bulgaria	91.9	101.4	9.5
	Spain	97.1	100.5	3.4
	Croatia	95.9	100.0	4.1
The 10 years behind	Cyprus	101.8	99.8	-2.0
	Portugal	102.7	99.4	-3.3
	Hungary	91.8	98.9	7.1
	Poland	94.0	98.3	4.3
	Slovakia	90.1	98.1	8.0
	Romania	95.4	96.6	1.2
	Italy	94.5	94.6	0.1
	Ireland	94.6	94.2	-0.4
	Greece	91.7	81.2	-10.5

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Labour vulnerability

The labour vulnerability indicator shows the insecurity and precariousness produced by each member states' labour market (or, maybe better, on which each labour market is built upon), and that can negatively affect both the professional and private lives of workers. Thus, pushing them at the margins or excluding them from the labour market itself. The indicator takes into account also the effect of precariousness after the working life.

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	Sweden	106.3	111.0	4.7
Best in Class	Luxembourg	108.3	108.8	0.5
	Netherlands	106.0	108.0	2
	Slovenia	105.8	107.3	1.5
	Belgium	104.8	107.1	2.3
	Finland	103.0	106.3	3.3
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	Bulgaria	87.5	93.7	6.2
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