50 | ANNIVERSARY
ETUC 1973-2023

EL/LR/eb

Brussels, 08 November 2023

**To: Ecofin Council – Economic and Finance Ministers**

**Cc: Ambassadors - Coreper II**

**Longer suspension of economic governance rules needed**

Dear Minister,

We are contacting you to call for a further one year extension of the general escape clause of the Stability and Growth Pact in order to give proper time to achieve a sustainable reform of economic governance that responds to the needs of people in Europe.

A reform of the fiscal rules has been long awaited and we are concerned that a rush to reach a deal may mean that any reform will not properly address the shortcomings which made it necessary and put Europe's economic and social wellbeing at risk going forward. We must also avoid falling back into the application of the current rules of the Stability and Growth Pact.

The ETUC assessment is that the compromise proposal under discussion fails to correct the shortcomings of the EU Economic Governance Rules, in particular the proposals

1) Require an unsustainable fiscal effort and none of the amendments avoid a too quick and too ambitious debt and/or deficit adjustment;

2) Do not protect investments needed to achieve EU social and environmental objectives and targets under the next expenditure rule and under the excessive deficit procedure;

3) Fail to rebalance macroeconomic boundaries with the achievement of the European Pillar of Social Rights. When evaluating the risk position related to debt and deficit, insufficient account is taken of the situation of employment, the need for wage increases, ending poverty and social exclusion, and other relevant social objectives of the economic governance;

4) Do not ensure the democratisation of processes and do not guarantee a genuine or sufficient role of social partners.

The ETUC is calling for a rethink.

A smarter reform is called for, including amongst others the 'depreciation of investment principle', a golden rule for public investment and expanded EU fiscal capacity to ensure there is a level playing field for investments.

The austerity measures imposed following the financial crisis had a profoundly damaging effect on Europe, with the scars still visible in our economy, our society, and our politics.

That is why the ETUC has this week called a major demonstration in Brussels for December 13 to oppose any return to austerity that would enforce drastic spending cuts on governments across Europe, or that would encourage wage restraint, reduce pensions or increase pension ages, rule out much needed investments for the green and just transition.

European Trade Union Confederation | Esther Lynch, General Secretary | Bld du Jardin Botanique 20 - 1000 Brussels | +32 (0)475 601 501 | etuc@etuc.org | www.etuc.org

At a time when private investment and real wages are falling – despite profit margins increasing, further austerity would have a devastating effect on the economy and workers.

During the pandemic, Europe showed it had learned the lessons of past and ensured a health crisis did not become a long lasting economic crisis through investments which saved jobs and companies. Investment needs to be further scaled up to ensure European companies are at the cutting edge of the green and digital revolutions, which will raise living standards and address the climate crisis. Given the polycrisis facing the European Union, we must maintain this solidaristic and forward-looking approach and extend the general escape clause of the Stability and Growth Pact.

This is a once in a generation opportunity to ensure our economic rules are fit for purpose and we ask you to ensure all the time necessary is taken to reach an outcome which serves the needs of people and the planet.

Workers and their trade unions will watch closely the decisions you take.

Yours sincerely,

Esther Lynch,

Esther Lynch

General Secretary of the European Trade Union Confederation