

# ETUC FOR GROWTH AND SOCIAL PROGRESS

PRIORITIES FOR THE ANNUAL  
GROWTH SURVEY 2018



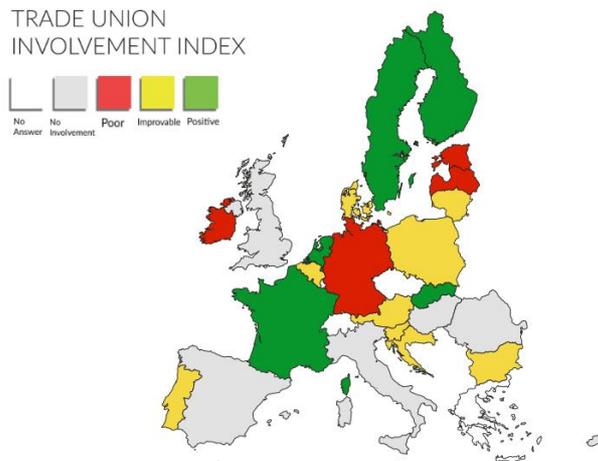
## **ETUC FOR GROWTH AND SOCIAL PROGRESS.** **EARLY STAGE INPUTS FOR BROAD ECONOMIC GUIDELINES 2018**

Adopted at the Executive Committee on 25 – 26 October 2017

### EURO AREA RECOMMENDATIONS

- *A positive fiscal stance (up to 2% of deficit of Euro area GDP) to progress toward an EU treasury with an increased EU budget for investments and social and territorial cohesion.*
- *Undertaking steady pro-wage policies supporting free and autonomous collective bargaining in a context of social dialogue.*
- *A common effort to get the EA expenditure on R&D closer to the EU2020 targets.*
- *Clear measures to boost work quality and tackle labour market segmentation, promoting the transition to standard forms of employment. This entails the implementation chapter 2 of the social pillar.*
- *Sheltering social protection systems from downward pressure of economic governance; committing all Member States to invest in universal access and adequacy of provision at least in the areas covered by the social pillar.*

### **A new start for social dialogue needs a change of pace in TU involvement in economic governance**



The ETUC asks all decision-makers involved in the EU Semester to take account of trade union positions. Concrete steps should be taken for a more influential involvement of trade unions at national level so that consultation takes place following a suitable format (according to national practices), involving unions in a timely manner, at the appropriate decision-making level and with adequate resources.

Despite efforts in recent years, and regardless of the Quadripartite Declaration on a New Start for Social Dialogue and Conclusions of EMCO with European Social Partners, little progress has been made at national level.

In 10 countries, ETUC affiliates declared that consultations did not take place (CY, ES, HU, IT, RO, UK), or were carried out very poorly (DE, EE, IE, LV). In 10 countries consultations took place but could be improved (AT, BE, BG, DK, HR, LT, MT, PL, PT, SI). ETUC members reported a satisfactory level of involvement in only five countries (FI, FR, NL, SK, SE). In 13 countries, TUs have access to draft National Reform Programmes or labour-related sections at the time of consultation. Few times, draft Stability/Convergence programmes were disclosed as well. In two countries, governments provided an outline of the NRP (as happens at European level during the early stage consultation on the broad economic guidelines).

Disclosure of documents (or the envisaged content) can be considered a good practice that could inspire the 10 countries where governments do not provide any preliminary information to support the consultation.

Trade unions met decision-makers in only nine countries (at political level, in five cases meetings were preceded by technical meetings). As factors that determined a poor level of involvement, 13 out of 18 consulted organisations found that the timing was unreasonable or insufficient. Timing is of fundamental importance for improving the quality of dialogue. All the 5 countries which reported a satisfactory level of involvement have been provided with enough time to go through the government's documents and prepare their own positions with a view on the consultation. This clearly testifies the need to recommend to all governments to open dialogue with trade unions at both political and technical levels in good time. Where consultations took place, 55% of respondents declared that the TU position was ignored, or heard but not agreed; 27% reported that their position was partially or totally agreed. A positive correlation has been found between the level of satisfaction (TU positions have been considered and their positions made visible) and the format of the meeting. Structured consultations that include meetings at political levels are often associated with a higher level of satisfaction. Written procedures with written exchange of documents between trade unions and governments may also lead to good results if supported by reasonable timeframes. Four organisations that were not consulted, in Hungary, Spain, Cyprus and Romania, submitted unanswered formal requests to their governments.

*Box 1: Trade Union Involvement Index (TU-i)*

Inspired by the ETUC Resolution on Trade Union Involvement in the EU Semester, The ETUC TU-i (in 2017 covers 25 countries out of 27), is based on a definition of involvement and four quality indicators.

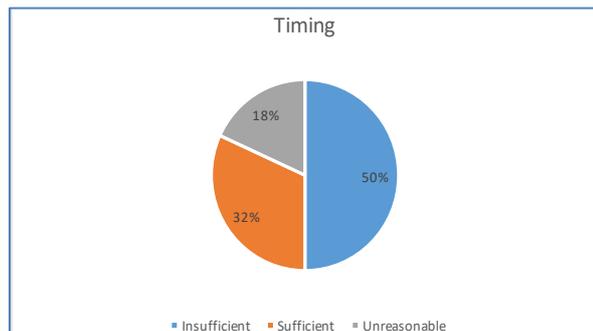
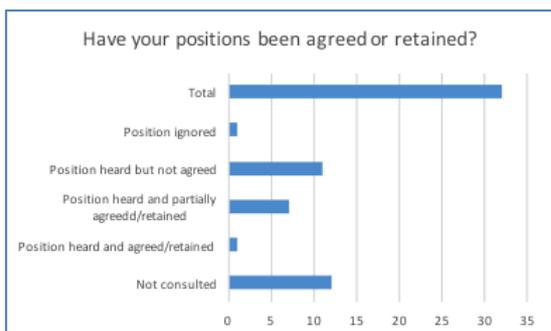
Involvement is any form of **dialogue** with national and European decision-makers which **meaningfully, in a timely manner**, with adequate capacities and **at the appropriate level** is conducive to ETUC affiliates exercising influence on the design and implementation of policies at the milestones of the European Semester and, if desired, in any other process related to the economic governance of the EU.

**Dialogue** is a process that consists of a two-way flow of information, involving at least decision-makers and trade unions, which has the potential to lead to the conclusion of an agreement.

**Meaningfully:** trade unions should have access to complete written information to deliver a fully informed position.

**At the appropriate level:** the dialogue should take place with those who are actually able to influence policy decisions. This can be at political level (i.e., Ministries, Undersecretaries, etc.), but technical levels can also be useful and desirable to prepare consultation with the appropriate political level.

**In a timely manner:** sufficient time should be made available to trade unions to examine the position/intentions of the decision-makers and react according to their actual capacities, without altering or derogating from their internal democratic constraints.



The ETUC calls for the next AGS to apply the Quadripartite statement signed by the European social partners, the European Commission and the Council on A New Start for Social Dialogue, 27/06/2016 and the EMCO Key messages on successful involvement of Social Partners in national European Semester processes of 22 November 2016.

The AGS by referring to both documents should promote country-based analysis in order to make specific recommendations to Member States that do not properly involve trade unions at the milestones of the EU Semester. National Reform Programmes should report on levels and quality of consultation referring to the format of the consultation, disclosure of documents, appropriate level of dialogue and timing. It should also make the TU positions visible and explain why their positions were endorsed or not.

The ETUC also asks for social dialogue to be better used to design policy actions responding to challenges identified in Country Reports and national plans or implement Country Specific Recommendations. As solemnly declared by the Social Pillar, delivering on the European Pillar of Social Rights is a shared commitment and responsibility between the Union, its Member States and the social partners. Social dialogue plays a central role in reinforcing social rights and enhancing sustainable and inclusive growth.

Social partners at all levels have a crucial role to play in pursuing and implementing the European Pillar of Social Rights, in accordance with their autonomy and the right to collective action.

In 2017, governments did not abide by the obligations of reporting on the involvement of social partners even in countries where social partners, according to their traditions of social dialogue, concretely contribute to formulating policies that are at the core of economic governance (labour markets, employment relationship, social protection systems, etc.). Countries should:

- improve their mutual supervision to reinforce social dialogue as mainstream European policy, in close cooperation with social partners. This multilateral supervision may bring social partners, European Commission and governments to the definition of specific recommendations aimed at the creation, where needed, of legal frameworks for autonomous and balanced collective bargaining, with full respect for the autonomy of social partners and practices and industrial relations traditions of individual Member States.
- Member States should set a timeframe for the consultation process at both political and technical levels in order to allow a meaningful and timely involvement of social partners and to increase the quality of dialogue itself.
- Member States should have an obligation to report on progress concerning the involvement of social partners at national level, especially in the drafting of national plans and in the implementation of CSRs that explicitly require the involvement of social partners.
- Design a mechanism for involvement of trade unions and employers (if they so wish) in the new Structural Reform Support Programme.

### **Improved economic outlook but investments are lagging behind**

The ETUC welcomes the improved economic outlook in the EU and in the Euro Area but it warns that recovery is unstable and that social unrest remains a risk for sustainable economic growth. Protection for workers and families depending on wage-earners have worsened. High inequalities and wage dispersion are operating on several dimensions (as shown in Semester 2017) creating a wide sense of unrest among workers and employees.

While employment rates are improving in Europe, the ETUC still does not see this translated into concomitant increases in the number of hours worked, suggesting deficiencies in the quality of work provided, as evidenced by the slack in the labour market measured by the ECB at 18% of the labour force in the Euro Area and 15% in the European Union as reported by Eurofound. Unemployment is still too far in some member states as Greece (21%) and Spain (17%) and among young workers and 50+ workers.

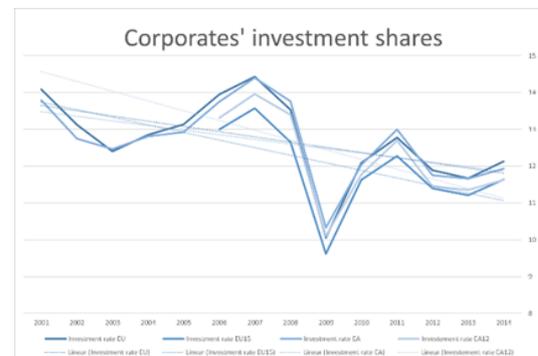
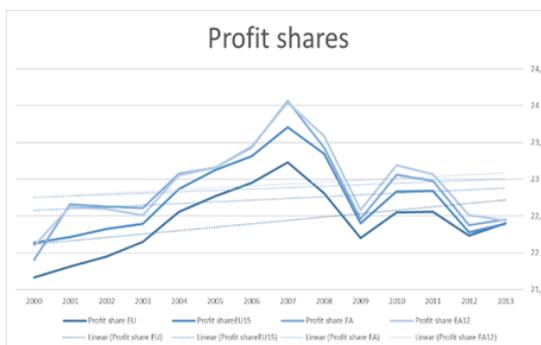
Almost 20% of jobs are part-time, with excessive frequency among women, and 17% are fixed-term contracts. Labour reforms brought to a proliferation of working contracts which brought precarious workers at 25% of the labour market including under-protected self-employed.

The EU needs to consolidate the positive economic outlook with pro-wage and pro-investment policies. As the structural macroeconomic indicators raise doubts about the sustainability of the economy recovery (manufacturing and construction industries are performing poorly especially with regard to productivity), private consumption is driving the economic growth, even if it cannot be neglected that current private consumption as percentage of GDP expenditure (54,6%) lingers below the pre-crisis levels (55,9%). In all publications dated 2017, the EBC says that annual growth in negotiated wages in the euro area (1,4% in the first quarter of 2017, slightly down from 1,5% in the fourth quarter of 2016) does not point to additional upward pressure at the start of 2017. Overall, wage growth remains low compared with historical averages, for both public and private employees.

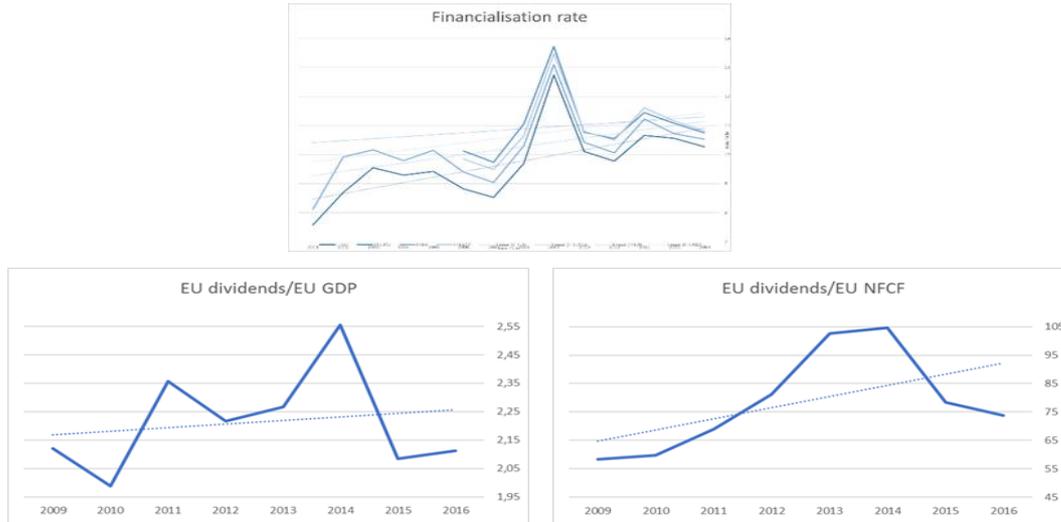
The transmission belt between injection of liquidity and investment in the real economy is not working as it should. Despite the level of cash held by financial and non-financial institutions, private investments as share of GDP are still below the 2008 levels. Citibank, analysing where cash goes, found that liquidity is used to feed dividends or to buy back shares (currently at €1,500 million per year). According to Prequin, private equity funds have been found to have €1,500 million in excess that cannot be invested.

Such levels were never reached in the past (see II Sole 24 Ore 10/8 pag.5, Morya Longo). Additionally, and beyond the narrative advocating for strong public infrastructure projects in Europe, public investments as share of GDP in the EA and the European Union have been shrinking since 2009 and stay below levels performed at the beginning of the century, at 2,56% and 2,72% respectively. With very low or even negative interest rates, such a situation is abnormal and should be tackled. In this respect the ETUC thinks that the fiscal stance suggested for the year 2017 in the EA does not support economic growth. And as rightly emphasised in the Commission's wordings, it is a neutral fiscal stance, neither supportive nor contractionary.

This also means that an increasing share of wealth is being diverted from the real economy into profits for shareholders. This overwhelmingly benefits the wealthy at the expense of people who depend on wages for their living. This unacceptable trend is getting worse. Even after the 2007-2008 crisis, dividends paid to shareholders in Europe increase at a faster pace than new private investments and GDP. Dividends paid to shareholders have in recent years been worth considerably more than new investments (NFCF) in companies. The rich are profiting at the expense of the economy. The increasing level of profits, and the increasing amounts paid out as dividends to shareholders, are holding back wages and investment – and this in turn is holding back Europe's economy. To increase wages and drive growth, profits need to be reinvested in a larger proportion.



Source: Ameco database, ETUC's calculations



Sources: Henderson Global Dividend Index, Edition 9, February 2016 and Ameco database

The state of health of European industry is improving, and this creates a favourable window of opportunity for the EU economy. The single market can become a stronger factor of integration, but the lack of social and territorial cohesion – the legacy of years of crisis and austerity-based fiscal policies – threatens economic growth more than any other external factor.

In particular, poverty, inequalities and reduced social mobility stand at levels that are not compatible with the ambitions of the EU to be a leader in all advanced sectors of the economy and for manufacturing industry to generate 20% of GDP.

From 2009 to 2016, the added value of European industry increased by 6.4%, but manufacturing registered +25% becoming 17.1% of EU GDP. Indeed, the objective that the Commission set at the start of its mandate (20% of GDP) can be achieved. But it needs a quality leap in productivity performance. Over this period, productivity increased by a mere 2.6%, less than Far East economies (Japan recorded +3.6%). On the internal side, EU production is threatened by strong social fragmentation. Private consumption drives internal demand, but less than expected considering the EU's potential.

The ETUC is convinced that global competition needs to reinforce non-price factors of EU production, especially investments in R&D, to be competitive globally. The global economy is also slightly improving but great uncertainties remain about protectionist measures and Brexit. Exports can contribute to EU growth without exercising pressure on labour conditions.

The ETUC argues that it is necessary to improve the level and quality of investments; that a much higher volume of investment should be devoted to ecological transition and social infrastructures. The ETUC calls for the creation of a European Treasury for insuring a stable level of public investment in Europe, and strongly supports the call for a more favourable fiscal stance at the EU and euro area levels. Furthermore, the ETUC closely follows the sustainable finance initiative as a way to support its main investment objectives but also with the aim of re-directing liquidity towards the real economy. Finally, stronger and better targeted financial regulation, especially of the shadow banking sector and its links with the banking sector, is necessary from an investment point of view but also as an incentive for wage increases. Such a move is necessary to avoid bursting financial bubbles. Maximum pay ratios within enterprises should be implemented.

A strong manufacturing industry also needs infrastructure and quality public and private services. The Juncker Investment Plan is a concrete European programme which may be considered successful in the context in which it was realised but is insufficient to meet the challenges that Europe as a whole has to address.

In anticipation of institutional reforms that could increase the EU budget and modify economic governance policies (hopefully with a European treasury that could inject more redistributive impact in the EU public expenditure), the AGS should push European countries towards a more targeted use of structural and investment funds. Policies for infrastructure, social and territorial cohesion should better reflect a European added value in line with the economic and social progress of the EU as a whole. Country-specific analysis reports on the use/impact of structural and investment funds in each Member State, however, do not identify incentives for Member States to make a better use of EU resources. The European Semester should also avoid that macroeconomic conditionalities in the access to European structural and investment funds could further harm the position of countries that are already experiencing imbalances or adverse social conditions. The European structural and investment funds on the contrary should help the achievement of social progress in countries that are not performing in the social field as expected. In this regard, social partners can be key. However, the new Support to Structural Reform Programme moves away from the commitment to include social partners and implies that support to Member States will miss the transmission belt that makes challenges identified at European level a driver for local policies. The ETUC suggests that the programme with resources for technical assistance may be used to identify and train specific competences within the trade unions and employer associations to promote a more participative planning of reforms and expenditure of structural and investment funds.

To this respect ESIF have to be managed and used in a more coherent way and with the full involvement of social partners. The so-called Partnership Principle, as laid down in the Common Provisions Regulation, should be strengthened in the post 2020. ETUC is completely against the proposal to apply sanctions and financial inducements relating to the Stability and Growth Pact, inasmuch as sanctions that fall under the purview of the Member States would penalise the regions and localities as well as citizens and workers.

### **A clear commitment to improving work quality is needed from the Commission**

While employment rates are improving in Europe, the ETUC still does not see their translation into concomitant increases in the number of hours worked, suggesting deficiencies in the quality of work provided, as evidenced by the slack in the labour market measured by the ECB at 18% of the labour force in the EA and 15% in the European Union, as reported by Eurofound. Concerning the situation of young people in the labour market, despite some recent developments the situation is still dire, with an unemployment rate of 18,7 for young workers from 15 to 29 years and a NEET rate of 11,5 (meaning that there are 14 million youngsters in Europe who are neither in employment nor in education or training).

Leadership in driving the agenda on the quality of work and employment across EU Member States has been inconsistent in recent years. Rhetoric has been supportive in the abstract but now is the time to add more content. As employment has tentatively risen over a prolonged period it is important that the Commission urgently introduces measures focused on the quality of the jobs being created. Without this, there is the risk that the seeds of the next crisis are sown, by trapping millions of people into bad work that helps neither workers nor the broader economy. Non-standard work is increasing steadily. The proportion of part-time work is increasing steadily, from 17,5% in 2007 to 19,6% in 2015, with a significative incidence between men (8,9%) and women (32,1%). New forms of employment like casual work provide high level of flexibility to employers and low levels of security to workers, resulting into low wages, limited benefits, no predictable working hours.

Precarious work is the antithesis of quality jobs. It has been analysed in depth in the document accompanying the second stage consultation of social partners on a possible revision of the Written Statement Directive. New and old forms of precariousness have been well identified even if categories such as self-employed and persons working under civil law contracts are not adequately addressed, which is regrettable considering the relative poverty risk of the self-employed as compared to salaried workers. In several countries, self-employed workers are prevented from joining a trade union and from exercising their right to collective bargaining. These groups of workers live and work in very precarious conditions and experience powerlessness in the labour market including low pay that leads to under-remuneration and unilateral changes in their work/service contracts. For instance, in Italy, a law is introducing specific protection for self-employed to ensure adequate remuneration of their work performances.

Labour market challenges are different across member states. In some, for example, special emphasis has to be put on the unemployment of 50+, who represent a resource for the labour market, considering their experience and capacity to transmit skills to younger generations. More studies are needed to analyse factors that lead to long-term unemployment of 50+ or to their exclusion from the labour market. More must be invested to (re)qualify this segment of the labour force, also allowing for extra expenditure by central governments to foster the labour market inclusion of 50+, bearing in mind the beneficial impact on state budgets, and on the efficiency of the labour market, the productivity of businesses and the sustainability of social protection schemes.

*Box 2: Investing in European youth*

The Youth Guarantee has proved a good opportunity for Member States to rethink and reorganise their active labour market policies targeting young people. However, trade unions throughout Europe report a lack of focus on quality jobs and a risk of a potential abuse of traineeship schemes in the framework of the implementation of the Youth Guarantee. Also, the experience of ETUC national affiliates and other stakeholders (youth organisations) on the ground, shows that the Youth Guarantee is falling short in reaching those youngsters who are further from the labour market.

Greater efforts must be made to fully implement the core principle of the YG, i.e. guaranteeing an offer and intervention within four months after leaving the education system and/or unemployment. Priorities:

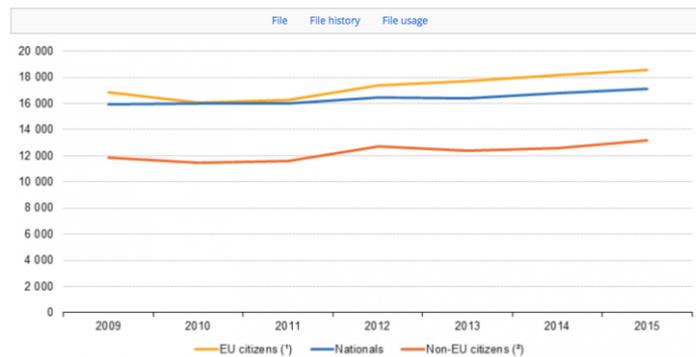
1. Guarantee high standards for all outcomes (jobs, traineeships, and training) and an early intervention within 4 months (recent ILO findings show that 57% of registered NEETs in Europe had not received any offer after 4 months).
2. Carefully designate the target population and provide tailored approaches in order to respond to the heterogeneity of NEETs and their specific needs at the moment of enrolment. Specific measures should be made available in particular for young refugees.
3. Invest in more ambitious and long-term funding so as to guarantee effective outcomes from the implementation of the programme.
4. Ensure full participation of social partners in design, implementation, and assessment as jointly expressed by the European social partners in their framework of actions on Youth employment

Two indicators to measure developments in this field could be the NEET rate of young people, youth unemployment and independence rate from parents (mainly residential).

Examples of unfairness and inefficiencies are found in the EU mobility of workers in the aftermath of the crisis. In destination countries, which are also surplus or economically stronger countries, a migrant background is a source of discrimination, so exercising a downward pressure on working conditions. Migrants' income is substantially lower than the domestic population. This is at odds with the recommendation to let wages increase faster to compensate for macro imbalances that surplus countries generate. At the same time, countries like Romania, Bulgaria, Hungary, Poland, and Baltic States are experiencing shortages in the labour market and countries like Portugal and Spain are experiencing a *brain drain* via outflows of well qualified young workers. The loss of qualified young workers will be an additional burden and a legacy that such countries will inherit from the short-sighted management of the fiscal crisis of the EU. While the principle of equal treatment can be applied through EU legislation, the Semester can still improve sheltering mobile workers by identifying areas of discrimination and forcing Member States to plan solutions to fill discriminatory gaps.

Member States' investment in the labour market inclusion of recently arrived migrants is particularly relevant. Good management of migration flows is key to mitigating the effects of demographic change, combining insufficient rates of reproduction with an ageing population.

File:Evolution of median income of the population aged 20–64, by groups of country of citizenship, EU-28, 2009–15-Fig 3.png

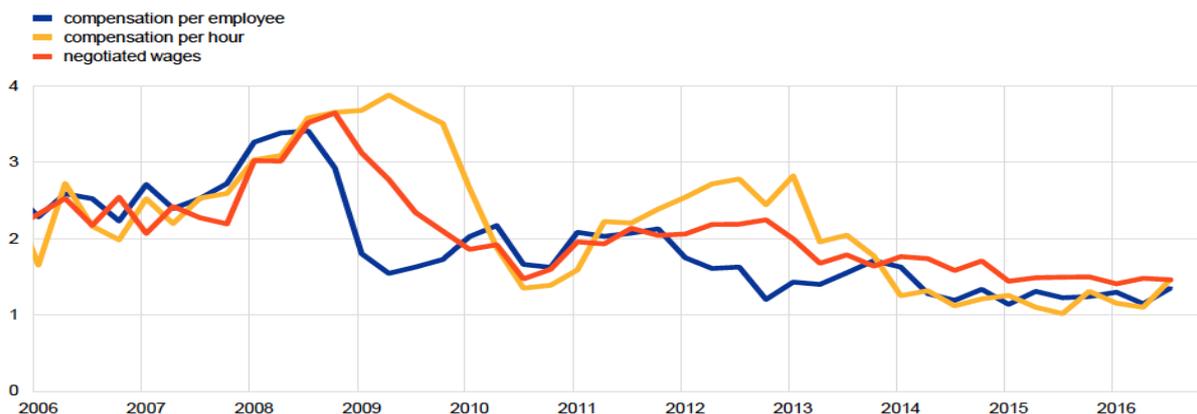


A EU migration and asylum policy should be able to combine solidarity towards those in search of international protection with the successful inclusion of third-country nationals in the labour market. Social and economic partners are cooperating at European and national level to demonstrate that social dialogue can be a success factor for well managed asylum and migration policies. The next Semester cycle should take into consideration the upcoming European Partnership for Integration of Refugees signed by the European Commission and the European economic and social partners.

Many of the policies which brought excessive segmentation and the excessive number of working contracts in the EU labour market were conceived and promulgated in the European Semester. Multilateral supervision performed by Member States failed to prevent distortions in local labour markets and led to a strong downward pressure on workers' individual and collective rights. Inefficiencies are so pronounced that a legislative intervention by the EU to re-establish a level playing field, setting minimum obligations for employers, appears inevitable. At the same time, trade unions expect the next Semester cycle to be firmly directed toward the implementation of those protections that the Social Pillar wants to grant to European workers. The principle is to support the transition from precarious employment to standard full-time open-ended contracts. We also expect that standard employment should mean full access to individual and collective rights that ensure dignity of work. The ETUC will propose a definition of quality work that will better orientate the EU action in this regard.

### Wage growth in the euro area

(annual percentage changes)



The next Semester cycle should also guarantee workers the right to fair and equal treatment in matters of working conditions, access to social protection and training, regardless of the type and duration of the employment relationship, therefore also including the self-employed. In this respect, tailor-made employment assistance (i.e. support for job search, training and re-qualification and the right to transfer training entitlements during professional transitions) should be made available for all workers.

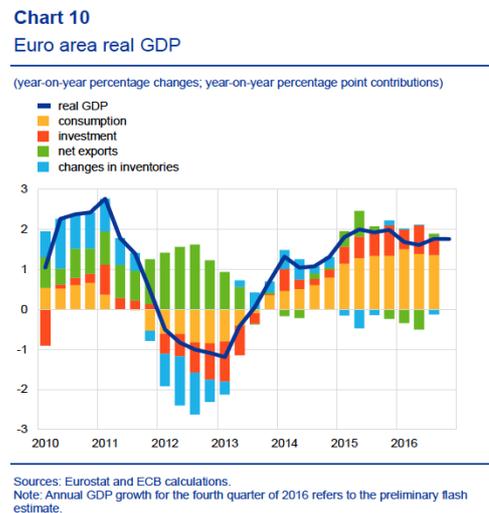
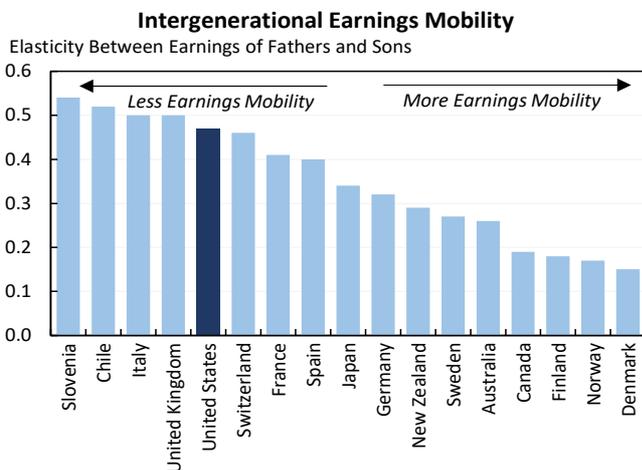
Women participation in the labour market represents a weakness of the EU social system. Austria and Estonia are the worst performers. But the participation of women in the labour market has to be improved with concrete initiatives that start implementing the Social Pillar. The social scoreboard, imposing a breakdown of data by gender will help identify main challenges. However, the Semester should be supported by a quick adoption of the legislative initiative on work-life balanced that addressed to families, will deliver specific advantages to women by setting a playing field at EU level.

**Wage rises are needed to avoid a wage-poor recovery**

As stated above, injecting liquidity into the system while deregulating financial and labour markets led to an increase in the rate of financialisation, the growth rate of dividends in Europe exceeding the rate of investment, and deepening inequalities. EU policies gave employers the opportunity to increase margins on the cost of labour by delaying investment that would have promoted productivity growth and quality jobs. Investments are still 2% of GDP lower than the pre-crisis period. Productivity does not show signs of recovering, linked to levels of investment and poor working conditions. For years, in both the Euro and non-Euro areas, productivity increases have been below 1%.

Wage convergence between eastern and western countries in the EU has stopped since 2008. During the ETUC Pay Raise event in Bratislava on the 22<sup>nd</sup> of September it was showed that the wage gap between East and West get deeper. In 2008, Polish wages were 1/3 of the German ones, but catching up. The crisis has reverted this trend. It was showed that wage gaps persist between central Europe and peripheral countries even though productivity rates and cost of living get closer because of the single market and the effects that the single currency spreads all over the EU.

In particular, wage increases are a weaker driver for growth as private consumption (see graph below) is led by increases in number of jobs, rather than higher wages, which contributed to total nominal labour income growth in 2016, as the EBC explains. Low wages remain the great malady of the current socio-economic performance of the EU. While in a pre-crisis period negotiated wages were increasing by +2.4% per year, current economic growth produced in 2015 a mere +1.5% wage increase and 1.6% in the following two years (European Commission, Spring Forecast 2017), and in a very asymmetric way. With inflation expected to get closer to the 2% threshold, the purchasing power of wages is expected to further decline.



Asymmetries in income distribution are at the root of great inequalities and imbalances: public vs private, services vs. industry, tradeable and non-tradeable products, surplus vs deficit countries, peripheral vs central economies, etc. This is due to the fact that attempts to transfer control of wage formation from collective bargaining to economic and financial institutions generated chaos and unpredictability of wage evolutions. Reforms of collective bargaining in countries under bail-out programmes and in the first years of the European Semester produced inefficiencies that social partners have now to repair, by rebuilding sound collective bargaining structures.

Pay cuts or pay freezes were imposed on civil servants and public-sector employers in 19 countries in the European Union, impacting on over 20 million workers (EPSU and ETUCE briefing pay in the public sector, see box 2). Millions of civil servants contribute with their work to the success of the private economy but cannot have their share of GDP growth because of the public expenditure benchmarks and stability rules. In particular, given the current grid of analysis of potential expenditure by central governments, the risk is that employees in the public sector will continue to live in austerity while others enjoy the benefits of an improved economic outlook. And this is unacceptable. It is necessary to re-establish a positive trend in wages in public administration and public or state-owned enterprises.

*Box 3: Employees in the public sector are suffering from a pay freeze.*

*The highest decrease in real terms in statutory salaries of teachers was recorded in Portugal and England (more than 10%) and Greece, where the decrease reached a peak of more than 30% between 2005 and 2014. The government estimated that the 2010 reductions were equivalent to a 14% cut in pay in nominal terms. A new payments system was introduced, which the government expected would cut pay on average by another 17% over three years. In February 2009, Ireland imposed an average 7.5% cut in pay for all public service employees which continued in the following years. In Portugal, initially frozen in 2010, public sector pay was cut by an average of 5% in 2011. Following the election of a new government, a new package of cuts was announced in October 2011. Depending on earnings, this abolished or halved the 13th and 14th month payments in both 2012 and 2013. With pay frozen since then, unions estimate a 9% loss of purchasing power for public sector workers. Trade union estimates indicate on average a 15% loss of purchasing power for public sector workers. From 2009 to 2014, the education sector in the United Kingdom registered an overall decrease of over 9% in the minimum gross annual statutory salary. In France, the loss of purchasing power is anything from €1,100 a year to nearly €3,000 a year, depending on occupation and grade, and in Italy an average loss of purchasing power of €3,961 a year is estimated. (EPSU and ETUCE Report Pay in the public services – how workers continue to pay for the crisis, 2017). The AGS should address this problem referring the principle of fairness of wages for all workers enshrined in the Social Pillar, especially revisiting the public expenditure benchmarks.*

If the single market wants to be a platform for global competitiveness, Europe needs social and territorial cohesion and more equitable wealth distribution and social mobility that motivate Europeans to invest in their education and skills. The graph above shows that, in developed economies, downward social mobility becomes more probable especially in the intergenerational dimension, while huge gaps in wage performances trigger unjust (for the person's conditions) and inefficient (for the market) movement of people. The ETUC has argued for years that coordinated national collective bargaining, linking wage trends of all workers to inflation plus productivity, can sustainably reward all those who contribute to the success of the economy. Box 2 identifies the main challenges to be addressed. It is even more important considering that collective bargaining is not only wage-setting, but it can help to influence welfare needs and social protection of citizens. In this regard, the level of compliance and enforcement of collective agreements is particularly important. According to the Labour Force Survey, 10% of Italian workers are paid one-fifth less than the reference hourly wage floor. Divergences from collectively agreed wages are also recorded in Germany, Cyprus, Austria, Belgium and to a minor extent in Finland and Denmark. The ETUC also urges the introduction of measures that ensure enforcement of collective agreements.

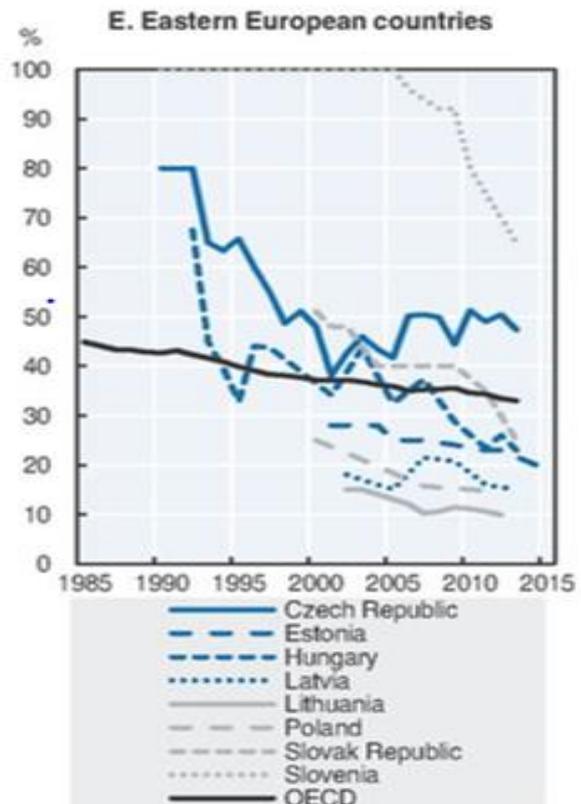
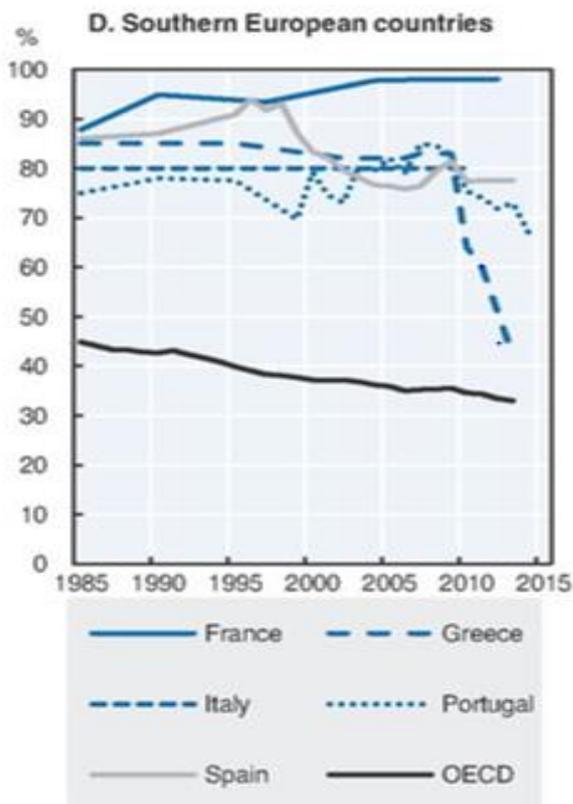
We expect that the next AGS will encourage national collective bargaining supported by cross-sector coordination and social dialogue. Coordinated collective bargaining systems should mitigate multidimensional distortions mentioned above. We would therefore encourage launching a discussion to explore proposals for a specific EU fund (in the framework of the current EU budget) dedicated to building up structures for strong, independent and effective systems of social dialogue in the Member States, that need it, to renew their industrial relations institutions to be better prepared to address future challenges. The Commission could also appoint, on proposal of social partners, a Special Representative who could supervise this capacity building.

The ETUC confirms demands advanced last year and urges to deliver concrete results in terms of strengthening collective bargaining where it exists, re-establishing it where it has been dismantled, creating it where it does not exist, also supporting the creation of legal frameworks for balanced, autonomous and free negotiations; enlarging collective bargaining coverage at all levels, including for non-standard workers.

Minimum wage systems have to be reinforced introducing transparency and greater involvement of social partners in the statutory settings. Minimum wages have to converge toward the 60% of average or median national wages. In all countries where statutory mechanisms to set minimum wages exist, national social partners have to be involved and agree on the reference value that better suits their national socio-economic situation, ensuring convergence toward the countries that better protect their employees. The national social partners should also fix targets and identify rules, policies and timeframes to achieve the expected results.

As promoting a pro-wage policy for the EU, the following requirements will be met:

- Statutory Minimum Wages increases at faster pace than higher wages
- Statutory Minimum Wages moves at least in line with inflation plus productivity rates
- the average or the median wages at national level rise.
- sub-minimum Statutory Minimum Wages in particular for young workers are removed



*Box 4: OECD on collective bargaining*

A OECD 2017 report describes well the role of collective bargaining in free-market economies. It reaches the conclusion that collective bargaining can make labour markets function more efficiently by correcting market failures. Collective bargaining mitigates the distortive effects of asymmetry of information and bargaining power between workers and employers, possibly reflecting monopsony and other labour market frictions and reduces transaction costs involved in individual bargaining. It leads to more efficient allocation of resources, greater motivation and ultimately productivity.

10 European countries have high levels of representativity (more than 30% density: BE, DK, FIN, ICE, NO, SW, AT, LUX, IT, MT, CY). In countries where TU density is between 10 and 30%, trade unions gather strong consensus in workplace elections (such as FR, UK, DE, SP, NL, CH). This group of countries is populated by trade unions whose membership was drastically eroded by recent austerity-based reforms (such as ES and PT). A dramatic drop in membership is seen in countries that moved from a planned to a market economy, with TU density rapidly falling under the EU and OECD averages (about 20%) since their accession to the EU (CZ, EST, HU, LIT, PO, SK, SL, but not LV).

While trade unions in some countries are experiencing a decline in membership, active workers belonging to the most representative, confederal-based unions number 45 million. However, an additional 1 million members are dispersed in a crowd of smaller organisations.

As in many areas, density varies a lot country by country, but it can be said that in Europe, TUs are representative enough to constitute a solid basis for an efficient collective bargaining system in both public and private sectors. This cannot be said for the level of aggregation of employers. OECD has found that correlation between employer density and collective bargaining coverage is higher (0.89) than correlation of TU density and collective bargaining coverage (0.61). Considering that employer density is often a driver for actual enforcement of autonomous collective agreements, declining membership in employer association remains a challenge in most industrialised countries (declining trends are recorded in IT, DE, PT, EST). The Portuguese case confirms that the absence of extension mechanisms (or expectations of unilateral changes in the collective bargaining rules) pushes employees to seek a free rider position by leaving the employer associations with all distortions related to the excessive numbers of individuals seeking the same position.

Without unilateral interference by governments (see most overt cases in GR, IRL, PT, ROM), the facts show that coverage and stability of collective bargaining systems exist where TU density is above 30% (BE, DK, FIN, SE, NO, IT, NL) and/or receive strong consensus among the workplace (for instance in France the five main confederations gathered 78% of votes, and 68% only by CGT, CFDT and FO).

A more direct relationship emerges between coordination of collective bargaining levels and socio-economic performance of countries. Centralised levels that coordinate decentralised levels are found only in Norway, Austria, Finland, Italy, Belgium, Germany, the Netherlands, Denmark, France. The presence of a multi-employer sector level is conducive to resilient economies with higher rates of social cohesion and this meta-model can be taken as a benchmark for convergence in respect of diversity.

Diversity of collective bargaining systems is an asset for the socio-economic resilience of the single market, as certain characteristics observed in national systems can only be appreciated in country-specific situations such as mechanisms to extend effects of collective agreements, ultractivity or retroactivity of agreements, favourability principle, social peace clauses, open clauses, publicity and accessibility of agreed in-force texts, dispute resolutions, etc. Such diversity resides mainly in the autonomous capacity of social partners to set the rules of the game. If social partners should and want to have a voice in the setting of socio-economic policies in their own country, to the same extent that governments have an interest in counting on an effective system of collective bargaining, this suggests that the interaction between the social partners and the public powers can only be designed on genuine patterns of social dialogue with full respect for the roles and functions of each agent.

## **A real skills offensive to address the future of work**

Upward convergence of working conditions is a way to maintain social and territorial cohesion, and also to improve efficiency of labour markets. Creating a well-educated and qualified workforce requires a real skills offensive. It is self-evident that if Industry 4.0 means integrating industrial processes with digital innovation, it will affect the profile of the workers of tomorrow. This is a challenge that can only be met if Europe offers high-quality education and universal access to school, up to university and post-graduate level, for future generations. It also needs a greater effort to reinforce VET and its quality especially in the coordination/common action with social partners. We expect that the Social Pillar will boost investments and scores in this field. This is a common European challenge and the Semester has to move the Scoreboard indicators upward in a way that includes all European countries (see box 5). For that to happen, we expect all countries to give workers a right to access to training and training opportunities, accompanied by paid leave for re- and up-skilling. In the long term, this should be reflected in the number of hours of training attended, performed, increase in productivity and wage progression. Of course, it should go along with improved stability in the employment relationship. Social partners can strongly contribute to this objective as the Cléa experience, in France, shows and we expect that the autumn package will set the basis for a stronger cooperation among labour market institutions and social partners in this field. The Commission could support Member States in building up and strengthening transition support systems and social security, in countries where it's needed the most.

*BOX 5: ETUCE priorities on education and access to school*

- a. Investing in universal, free, high-quality education could not be more important. A study by the University of Nottingham (ETUCE, 2017) shows that when Member States implemented cuts to public expenditure, there was often a decline in educational expenditure as a percentage of total public expenditure and/or in nominal terms. Despite the assumption that education had experienced a delayed reaction to the financial crisis and only began to feel the real effects in 2010 (OECD, 2015), many Member States had already reduced education spending as a percentage of total public expenditure in 2008 and 2009.
- b. Education is a key institution for both fairness and economic prosperity. Because so much time has already passed with weak expenditure, the damage to the economy and society is being felt. The vital calls to expand the provision of and access to quality education sit alongside the demands to restrain public investment.
- c. Continuous pressure on education budgets coupled with increasing societal demands for educational effectiveness expose education to privatisation pressures. This appears in multiple forms including in the contracting-out of educational services, in the increase in transfers of costs to students and households and in the adoption of management practices in education institutions, including in shifts towards individualised and performance-related pay for teachers and other education personnel. In some cases, countries are even privatising education or parts of it and loosening or breaking the vital link between education and democracy.
- d. Europe's capacity to fully recover relies strongly on the ability of Member States to increase the level of educational outcome of its population, and to reduce inequalities. Educational objectives, together with employment and social considerations, were a priority in the most recent European Semester cycles. However, the dominance of economic issues sometimes overshadowed broad education policy objectives that are vital to life and society as well as the economy, and relegated education policy to a tool of a supply-side economic policy.
- e. A focus on narrow skills and an emphasis on the marketable aspects of education and on commercialisation of educational outcomes, especially in higher education, is beginning to emerge in some countries. However, the intangible aspects of education are often the most important in adapting to the rapid change that technology is bringing about. Narrow skills training and outdated notions of the needs of the contingent labour market will not meet the challenges that confront Europe, both internally, and externally.

A high level of skills, knowledge and competences is needed for the future of Europe. Well-trained and supported teachers and other education personnel are at the heart of education. To the extent that the profession and its status is respected, quality will improve, fewer teachers and other education personnel will leave the profession, and recruitment will be enhanced. Initial teacher training and continuous professional development should receive greater emphasis. Teachers and other education personnel should be given the space, tools, support, and working conditions to exercise their profession. Good quality education requires commitment and resources.

**Sheltering social protection systems from downward pressure of economic governance**

Intergenerational solidarity issues should be framed not only with reference to the demographic trends as such, but also with reference to labour market conditions worsened in the last decades: "The multiplicity of contracts makes the profiles of non-regular workers difficult to define as a homogeneous group, but the picture that emerges from available data suggests that non-regular jobs - and particularly fixed-term jobs - are still disproportionately held by younger, less-educated and lower-skilled workers, and are not a voluntary choice for most workers" (OECD Employment Outlook 2014, p. 141-209.).

They are generally more exposed to a high risk of poverty and social exclusion (Precarious Employment in Europe: Patterns, Trends and Policy Strategies, EP DIRECTORATE GENERAL FOR INTERNAL POLICIES, 2014).

*BOX 6: New agreement on active ageing and an intergenerational approach*

On 8 March 2017, the European cross industry social partners, ETUC, BusinessEurope, CEEP and UEAPME, approved their 5th autonomous framework agreement on active ageing and an intergenerational approach. The aim of this agreement is to ensure a healthy, safe and productive working environment and work organisation to enable workers of all ages to remain in work until legal retirement age. It is also to facilitate the transfer of knowledge and experience between generations at the workplace and takes into account the changing national demographic and labour market realities. The agreement, to be implemented by the members of the signatory organisations across Europe, includes tools, measures and actions on five main domains: 1) Strategic assessments of workforce demography; 2) Health and safety at the workplace; 3) Skills and competence management; 4) Work organisation for healthy and productive working lives; 5) Inter-generational approach.

The ETUC calls for issues concerning coverage, de facto access to and adequacy of social protection systems to be addressed, including adequate minimum protection provisions and safety nets, which should be ensured to all workers. Current welfare schemes are failing to tackle inequalities and poverty, permanently affecting certain groups of people. Too-short employment periods, insecure and intermittent employment, involuntary under-employment (career discontinuity, involuntary part-time...), generalised very low wage and remuneration levels are reflected in worrying in-work poverty rates as well as reduced contributions to welfare systems, thus undermining access to social protection for a huge proportion of the European workforce, benefit adequacy and systems sustainability. Elderly and retired people only seem to perform better than others: in relative terms, worker income were more stagnant than pensions (ESDE 2017), although not or poorly indexed. In addition, this datum presents great variations across countries.

Ten years of labour reforms encouraged the proliferation of working contracts (in the EU there are hundreds of contracts governing employment or work relationships) allowing employers significant derogations from contributory and taxation obligations towards social security systems with respect to standard employment, that are now producing major social and economic distortions. The EPSR put into light the peculiar condition of precarious workers in Europe – 40% of the European workforce, and their unequal social protection systems.

Consistent with the EPSR, the leading principle should therefore be that every worker, regardless of the type and duration of his/her employment relationship, should have equal access to adequate social protection and to the full range of support measures (including adequate unemployment benefits) for re-entry into the labour market, also including the self-employed.

This means that all working people should have the equal right to adequate benefits in comparable situations and under the same conditions and that, whenever the labour market and employment circumstances do not allow them to build up such entitlements, adequate minimum protection provisions/safety nets should be guaranteed to every worker regardless of the type and duration of his/her employment relation and his/her working time.

An efficient balance between adequacy and sustainability of social protection systems must therefore be pursued: 1. Addressing inequalities and distortions in access to social protection among workers; 2. boosting employment and quality employment across all ages, allowing workers to contribute to the system as much as possible, 3. while having access to adequate social protection benefits from Member States wherever necessary to lead a life in full dignity.

Equal access to adequate social protection implies equal contributory rules for all workers and employers, designed to apply fairness and solidarity, so as to enable them all to contribute to the system and benefit from adequate entitlements when needed. Cumulation rules should be designed to ensure that social security suffers no gaps and imposes no burdens in relation to mobility across countries, sectors, type of employment relationship.

It means establishing coherent, fair and equal contributory policies; enforcing the right of all workers to an adequate remuneration, including adequate minimum wage/remuneration set by law or collective bargaining, according to national practices; to extend collective bargaining coverage and the application of the principle of equal remuneration for equal work or service. Curbing the tax wedges and the cost of labour can surely be a strategy for active labour market policies. However, they should be evaluated case-by-case according to the specific situation of categories of workers in a specific area. They should be used for limited periods of time, not to create situations of under-protection in specific groups or put at risk the sustainability or fairness of social protection systems.

#### *Reconsidering fiscal policies of Member States consistently with the demographic and employment trends*

Guarantees of adequacy and safety nets are currently insufficient, when not completely lacking. The criteria underpinning the economic governance of the EU aim at neutralising societal costs in governmental budgets, but this is done by unloading the underlying risks of an ageing population or of economic cycles onto individuals, reducing pensions, health, long-term care and survival in case of long-term unemployment. Pensions reforms envisaged in Country Specific Recommendations are conducive to cuts in public expenditure on retired and elderly people, while increasing statutory retirement age with reference merely to increased life expectancy, with too little attention to pension adequacy in the future. The assumption behind such pension policy trends is that public spending allocation for the next decades should not increase in line with demographic trends. Intergenerational gaps primarily suffer from these new trends, hampering access to adequate pensions and a dignified retirement.

In particular, pushing for 'privatisation' of social protection insurance-based schemes jeopardises adequacy, transparency, fairness, solidarity, and fiscal efficiency, thus boosting inequalities and social exclusion. Efficient insurance-based social protection systems should be coupled with the role of public expenditure for social protection, providing safety nets for those who do not fulfil the minimum requirements for benefit entitlement.

It has to be acknowledged that:

- a. life expectancy projections already present huge variations across the workforce, affecting very important groups such as low-skilled workers, those performing arduous jobs, those suffering poor education and poor living and working conditions;
- b. effectively longer working lives are not a reality yet, and can be achieved only in presence of an adaptation of workplace and labour market approaches to an ageing workforce, requiring investments in skills which will take time to produce their results;
- c. longer working lives may produce appreciable sustainability results only on condition of an early entrance into the labour market, fair remuneration, good working conditions, continuity of employment and swift re-integration into the labour market after unemployment.

Whereas labour market is unable to absorb and retain a still huge rate of population in working age, and provide workers the means to ensure themselves adequate benefit entitlements, efficient insurance-based social protection systems should be coupled with public expenditure for social protection, providing both guarantee of adequacy, and ensuring adequate minimum safety nets for those who do not fulfil the minimum requirements.

Public spending for pensions, therefore, should evolve consistently with the needs of an ageing population to retire in dignity. Its fiscal sustainability should be assessed in the medium to long term, to allow automatic stabilisers to come into play. Systemic efforts must be undertaken to ensure the rationalisation of design and functioning of insurance systems and funds together with fairer taxation systems and contributory policies. Trade unions are convinced that pillars of social protection are crucial to maintain the EU integration progress on the right track. This means an immediate change of direction in EU policies to achieve tangible social progress. Social protection aims at banning poverty and moving people away from the poverty threshold. But we should ask more of our social protection systems: they should create conditions in which people are motivated to invest in themselves, are more confident about the future and restoring the reproduction rate in population trends, and accept the positive contributions that migrants bring to our economy and intra-society solidarity.

The AGS should announce that participation in the EU project is not compatible with the privatisation (or distancing from state competence) of the pillars of social development of our societies such as pensions, education systems, health systems, work-life balance, unemployment benefits and other provisions that according to national situations may be necessary for the social cohesion of the country. It means that all countries must be assessed on their ability to deliver in the social protection area of the Social Pillar, and reported to other Member States (multilateral surveillance) if they do not perform or underperform. In this exercise, it is crucial to ensure the participation of social partners and, where relevant, other stakeholders.

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



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