

ETUC note on the EU Recovery Strategy from the COVID-19 outbreak

ETUC urges the EU institutions and Member States to start immediately to define a clear, ambitious, and coordinated EU recovery plan, according to the extraordinary nature of the crisis. We need **a massive fiscal stimulus** underpinned by a European Union able to **mobilize resources and investment**, in order to **address the relevant risks of a huge recession and unemployment** following the emergency phase.

The recovery has to be designed in a way to build a more sustainable, inclusive and fair economic model based on a social market economy, where the environment is respected, digital innovation is put at the service of people, the European economy is protected, massive quality job creation is triggered, workers and social rights are protected, public services particularly health care and education and training are restored and reinforced, universal social protection is ensured.

We come out of a decade of austerity and cuts, during which business interests and profits have always come before protection of people and environmental and social justice and inequalities in society and at work have been exacerbated. This has to be fixed, we cannot go back to business as usual and any recovery strategy has to be based on an ambitious, fair and inclusive approach.

General principles

This means as a starting point looking at how to **further expand and prolong the emergency measures**, to provide support to enterprises and workers through the fall-out of the crisis (not all activities will be able to restart at the same time), maintain employment and ensure the supply of essential goods and services.

All unused structural and investment funds must be rapidly deployed, by reducing national co-financing rates for both public and private investment, as well as temporarily easing application, monitoring and reporting requirements, and **continue ensuring full flexibility and the suspension of the Stability and Growth Pact** until the end of the economic and social emergency linked to the COVID-19 crisis.

Additionally, the process for **the Review of the European Economic Governance must be continued and accelerated**. The same should be done regarding the **ongoing proposals on taxation, particularly on corporations, as well as for taxation of digital multinational enterprises and fight against tax evasion and tax havens**.

All recovery measures must be deployed in **an environmentally and socially sustainable manner**, in line with the **Charter of fundamental rights of the European Union** and the principles of the **European Pillar of Social Rights**, the **Paris Agreement**, the climate target objectives set by the **European Green Deal**, and the **Sustainable Development Goals of the UN 2030 Agenda**. Additionally, recovery measures should be taken in the full respect of **ILO conventions and European Convention of Human Rights and the European Social Charter** of the Council of

Europe. Human rights are non-negotiable, they should be mainstreamed in all EU policies, regulation and initiatives.

The EU recovery strategy must be implemented through proper social dialogue and effective involvement of social partners. Building a sustainable economic model for Europe means **strengthening workers' and trade union rights, protections and health and safety, as well as social dialogue, collective bargaining and workers' participation**, as fundamental tools for democracy and inclusion.

The Covid-19 crisis has exacerbated inequalities in society and at work, it has shown that work is less and less correlated with stable employment and adequate wages. A sustainable economic model should **address such inequalities. Recovery measures should restore the legal protections of workers that were in place before the outbreak and amended by emergency regulations.** Restrictions to human rights, including workers' and trade union rights, access to justice and effective remedies, imposed as temporary measures should be lifted.

A recovery strategy should **revalorise the role of EU law** and legislative processes. The EU better regulation agenda should avoid the risks linked to management by objectives and its adverse effects. Quantitative and qualitative assessments should be better balanced, social and labour rights and environmental standards should be equally appraised, in full respect of the European Charter of Fundamental Rights. EU law should be seen as an investment rather than a cost. The new 'one in one out' initiative should be abandoned.

Relevant **initiatives recently launched** by the European Commission, such as **the Green Deal, the Digital and Skills Agendas, the initiatives for Fair Minimum Wages and Pay Transparency, must be continued and not delayed.** The transposition and implementation of **already adopted legislative instruments** must be continued, e.g. the revision of the **Posting of Workers Directive**, the **Directive on Transparent and Predictable Working Conditions**, the **Recommendation on Social Protection**, the **Work Life Balance Directive**.

The same must apply to **other announced initiatives**, such as the one for **Platform Workers which should cover all non-standard workers**, and the proposal for a **European Unemployment Reinsurance Scheme (EURS)** which should be complementary to SURE. **Both instruments should become permanent** in the framework of the recovery strategy.

The COVID-19 crisis has had a devastating impact on women and has shown how work predominantly done by women is undervalued and underpaid – particularly in crucial public sectors and frontline work such as health, social care, education and training, retail and cleaning. The pandemic crisis also highlights the poor working and living conditions of women who are domestic workers, especially migrant, and the unequal share of unrecognised care duties between women and men.

These concerns call for policy interventions that cannot be delayed, an EU Gender Equality Strategy must be part of the recovery strategy. This should include: effective program of actions to tackle the **gender pay gap**; the urgent continuation of the **Pay Transparency Directive** and for this to be refocused to end undervaluing work done by women; actions to ensure proper representation of women into decision making at all levels in the **Women in Boards Directive**; recognition and qualification for **unpaid care work**; recognition, income protection and social support for all **domestic workers** and the ratification of the **ILO Convention 189** by all EU member states; the fast and ambitious implementation of the **Work Life Balance Directive**; and effective and prompt **action against gender domestic violence**, starting with the ratification of the **Istanbul Convention**.

Young people have been working before and during the lockdown, particularly in the platform economy, student jobs, internships or apprenticeships. Due to their temporary,

short-term contracts many young workers have been easily laid-off and **do not have access to social protection or financial compensation for their loss of income.** There is a need for **specific protection for young people** during the emergency and beyond.

Finally, **both national and EU-level authorities should learn from what has happened and not to simply go back to doing things the way they were done before**, after the crisis is over. This is an opportunity to capture and retain the innovations and cultural changes that have taken place, the **blind and counterproductive austerity measures of the past must be abandoned, in order to build a more sustainable, fair and inclusive economic model.** The crisis has demonstrated that it is possible to act with speed, agility and good governance in an emergency situation, the same has to happen in the future.

Over the last months we all experienced how crucial public policies and the role of sound state initiatives are in protecting lives and supporting people in difficult situations. **This crisis was an extraordinary test collective of solidarity and responsibility in almost every country.** Additionally, our societies and economies will be rebuilt thanks to the contribution of workers, therefore **social dialogue and collective bargaining should be essential guiding principles of the recovery plans.**

Financing the recovery

For a recovery strategy to be effective, it needs to be accompanied by a **rapid agreement on an ambitious new multi-annual financial framework (MFF)**, including the possibility of a **specific European Recovery Fund**, in order to support the recovery with fresh money.

In this respect, Commission's President Ursula von der Leyen's announcement that the **MFF should be raised up to 2% of the European GDP (at December 2019 levels)** is for us in line with the ambition required. For this to be achieved, the only way is to **significantly increase the EU's resources through increased taxation measures at EU level and a common debt instrument to be guaranteed by the EU** in order to generate the size of financing and investment that is needed.

More specifically, the **best way to significantly increase EU's own resources is through increased general taxation** to achieve more social and tax justice, **increased taxation on polluting emissions** while respecting social justice, **increased and fairer corporate taxation**, and a **more radical stance on the fight against tax avoidance and tax evasion.** This would ensure a **good basis for issuing a common European debt instrument** and thus create a fit-for-purpose financing capacity for the EU at disposal of all Member States. **Different options on how and which kind of common EU bonds should be issued** can be explored, including the one envisaged in the smart proposal **put forward by the Spanish government.**

The resources of the Recovery Fund should be provided to Member States mainly through grants, in order to avoid further increases in national public debt as a result of the COVID-19 outbreak and its impact on our economies. Such grants and direct investments should be **targeted to sectors that are strategic to ensure resilience of the EU economy and to regions that are hardest hit by the crisis** to improve territorial cohesion and social inclusion.

We urge EU institutions and Member States to set aside all divisions and agree as soon as possible the necessary measures and instruments.

Specific measures

The recovery strategy must rapidly **channel investment into key strategic areas that can reinforce Europe's sustainable growth and quality employment creation, by deploying all available financial tools.**

New boost to all European economic sectors is needed, in particular through:

1. **Investment to be strengthened in strategic sectors**, based on common EU industrial and service policies, and by focusing on environmentally sustainable economic activities, in line with the provisions of the Green Deal and the just transition dimension.
2. **Stimulating a recovery led by stronger internal demand**, thus striking a fairer balance with export-led activities and ensuring a **fair distribution between profits and wages**, through living wages, upward wage convergence, ending the undervaluing of work, strengthening collective bargaining at European, national and sectoral level.
3. **Making our societies and economy greener, more circular and more sustainable**, with the Green Deal playing a key role in adapting to the new reality after the crisis and being accompanied by a feasible economic action plan and a socially just transition. All measures to relaunch the economy after COVID-19 crisis must be in line with their main objectives as well as compatible with the **Paris agreement and the UN SDGs**. Recovery packages, as well as bailouts for companies, should be designed to **support a just transition towards a carbon neutral and a circular economy**, keeping in mind the need to pay attention to social, sectorial and regional circumstances.
4. **Building a Europe fully prepared for the Digital Age**, by speeding up the second phase of digitalisation, increasing public funding and overcoming fragmentation. **Digitalisation and artificial intelligence at the workplace should be strictly regulated**, in accordance with the GDPR and agreed with trade unions and workers representatives to avoid discrimination, undue surveillance and violation of private data.
5. **Boosting Research and Innovation** and the deployment and spreading of key technologies anchored in well balanced IP regulatory frameworks.
6. **Supporting the creation of quality jobs and re-skilling and up-skilling of the workforce**. This should include statistical capacity to gather data on social and labour issues in all member states.
7. **An EU new framework on information, consultation and board level representation** should be adopted so as to secure compliance with workers' rights in particular in case of restructuring, where there is a threat to employment and on decisions likely to lead to substantial changes in work organisation or in contractual relations.
8. Respecting **occupational safety and health standards, workers' rights, social dialogue and collective bargaining, trade union rights and workers participation**.
9. Promoting **mandatory human rights due diligence and responsible business conduct**, including in the supply chains, in a way to guarantee **trade unions and workers' representatives involvement in the whole due diligence process**.
10. **Call for specific youth related measures to protect young people**. In particular **the Youth Guarantee** has to be reinforced, having in mind that for many Member States the Youth Guarantee represents the only youth employment policy.

11. Significantly improving **investment in transport, energy, digital and social infrastructure as well as in public health care, public services, education and training and social protection systems.**
12. Many public and essential services are delivered by local and regional governments, but their budgets are suffering drastic reductions. **Specific financing measures should be devoted to support local and regional governments** to ensure the continuation of the delivery of services in their competences.
13. **Mapping the impact of the COVID-19 outbreak on all sectors of the economy**, in order to identify the **policies needed** to support their recovery and assess the impact on their capacity to respect regulatory obligations.
14. **Preventing hostile take-overs** (as stock prices are currently very low) of European companies by other EU or extra-EU companies, and particularly by (state-backed) companies from outside the EU, by making use of the new screening mechanism on foreign direct investments or by governments buying stakes.
15. Strengthen economic resilience by **(re)building strategic value chains** inside the EU, by **supporting industrial alliances**, by **reintegrating supply chains inside the EU**, by **increasing their self-sufficiency** (e.g. through circular economy), by **supporting domestic production of strategic equipment.**
16. **EU Competition and state aid mechanism should be adapted** to allow for the safeguard of essential sectors' production in the EU.
17. **Need for more sustainable business.** A reflection on business models and value chains is key, as offshoring is effective, but creates great fragility. This implies to:
 - a. Apply the principle according to which business should be accountable for the adverse effect of their operations on workers, people, communities and environment.
 - b. Regulate business models that are only directed towards shareholders profits and short-termism to avoid their adverse effects on society.
 - c. Strengthen trade union and workers representation in business decision process.
18. **Bailouts, especially with public money, must be conditional on financial discipline** (no dividend payment, no buyback of shares, no executive bonuses, no tax avoidance or aggressive tax planning) **and social commitments** (maintaining employment and quality working conditions). **Recovery plans and bailouts should be developed through social dialogue, backed by collective agreements** that set out impact on employment and working conditions, promote workers participation, and should be closely monitored by public authorities.
19. **Ensuring strong international coordination and reinforcing cooperation and development programmes** for neighbourhood countries and particularly African countries both in the exit and in the recovery phase, with active engagement of multilateral institutions, by **ensuring that EU financing is beneficial to health care systems, companies and workers, and conditional on the respect of human and social rights.** Building a **more environmentally and socially sustainable EU trade strategy**, based on the same principles.

Conclusion

Solidarity will be more crucial than ever in the coming months in helping maintain convergence between Member States and to protect the European economy, society and world of work.

In particular, we must do everything it takes to ensure that all Member States have market access and funding at the lowest cost for their recovery plans.

Whilst financial support will provide an immediate boost to restarting our economies, we will only deliver long-term stability, prosperity and cohesion if there is a renewed focus at both EU and Member States level on ensuring that policies have a greater focus on supporting investment, sustainable and inclusive growth, and high-quality employment.

European democracy, its economy and social cohesion are at stake. We need to defend and strengthen the European project by building people's trust and showing that the EU is capable of protecting them in these very difficult times.

Brussels, 4 May 2020