

Employment and social policies of the euro area 2021

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The Committee on Employment and Social Affairs adopted the own-initiative report by Lina GÁLVEZ MUÑOZ (S&D, PT) on employment and social policies of the euro area 2021.

General context

The COVID-19 crisis has had and will most likely continue to have a significant but disproportionate impact on different Member States, social groups, sectors and regions, and is leading to an increase in poverty levels across the EU. The pandemic represented a shock of historic proportions for Europe's economies, with an economic contraction of 6.1 % in 2020.

On the contrary, according to estimates, the EU economy will expand by 4.2 % in 2021 and by 4.4 % in 2022. However, the unemployment rate is forecast at 7.6 % in 2021 and 7 % in 2022 with young people have experienced the sharpest decline in employment, as well as a loss of opportunity due to a lack of training or internship opportunities.

The report stressed that inappropriate post-crisis macroeconomic governance could easily trap European economies in persistently low growth and high unemployment, with a new risk of secular stagnation or even decline, together with increasing inequalities and democratic disaffection, affecting the future of the EU.

The COVID-19 crisis has exposed gaps in access to social protection, highlighting the importance of fostering greater resilience by, for example, improving the adequacy and coverage of minimum income schemes and pensions, and easing eligibility conditions. Members called on the Commission to draw lessons from this crisis and work towards the implementation of an improved sustainable governance architecture in the EU based on solidarity, social justice and integration, fair distribution of wealth, gender equality, high-quality public services, including a public, universal and high-quality education system, quality employment and sustainable growth.

According to the Treaties, the EU should work for the sustainable development of Europe based on balanced economic growth and price stability, a highly competitive social market economy, healthy and safe working, social progress, environmental protection, etc. Members insist that these goals must be the overarching priorities for the EU's long-term sustainable growth strategy in line with the UN Sustainable Development Goals (SDGs), the European Pillar of Social Rights and the Green Deal and underpin Member States' recovery and resilience plans. The European Semester should be aligned with these goals and strategies, thereby making the **European Semester a truly comprehensive tool**.

Improved fiscal policies

The report recalled that certain political choices and fiscal policies made in the wake of the 2008 financial and economic crisis may have led to health and social systems in some Member States not being adequately prepared to face the pandemic. Therefore, Members reiterated the importance of the **adequacy and sustainability of social protection systems** in Member States. They highlighted that **well-designed labour taxation systems** are essential to ensuring high standards of worker protection against risks and illness, and the provision of old age pensions.

Members also stressed that public revenue could be used to fund key priorities and help address Member States' fiscal challenges, and contribute to the long-term sustainability of public finances, including by strengthening the coverage and adequacy of health and social protection systems for all, and ensuring their long-term funding. The Commission and the Member States are called on to take real measures to combat tax avoidance and tax fraud as an important means of reducing economic inequalities and improving the collection of tax revenue in the Member States.

European governance framework 2022 for sustainability, social inclusion and people's well-being

Members consider that, in the context of the Recovery and Resilience Plans, skyrocketing public debt levels and the upcoming reform of the Stability and Growth Pact and the Semester process, Parliament's proposal for the adoption of a **sustainable well-being and social progress pact** making social and sustainable targets mandatory in order to achieve the UN Sustainable Development Goals (SDGs) has become more relevant than ever. Sustainable, smart and inclusive growth needs to ensure sustainable fiscal policy in the medium term, and that EU economic and social policies work towards a long-lasting recovery, making our economies and societies more sustainable, inclusive, resilient and better prepared for the green and digital transitions. The implementation of the European Pillar of Social Rights (EPSR) Action Plan will help to strengthen the social dimension of all Union policies and ensure an inclusive recovery.

Greater economic and social governance among the Member States, particularly by moving towards greater **convergence of tax rules**, would be a driving force for recovery. Regarding economic and social governance of the EU, Members stressed the need for a regular assessment of progress towards the 2030 headline targets and upward convergence at the highest political level.

The need for an ambitious European social agenda

Members urged the Commission and the Member States to ensure that trade unions have access to the workplace and the workers themselves, including where work is carried out digitally. They stressed that strengthening collective bargaining structures at all levels is essential to create quality and sustainable employment. Moreover, it is essential that quality jobs are also created for medium- and low-skilled workers and for women and young people in particular, while evenly distributed across Europe to prevent imbalances between the regions in order for recovery to be sustainable. Quality education and the chance to reskill and upskill are prerequisites for sustainable recovery and social cohesion, according to the report.

Member States and the Commission are called on to prioritise the fight against youth unemployment by making full use of financial instruments such as the Youth Guarantee and European programmes such as Erasmus+. They suggested that the new European Globalisation Adjustment Fund for Displaced Workers could be mobilised in response to the consequences of the COVID-19 crisis for employment.

As regards health, the report underlined that the COVID-19 crisis has demonstrated the need to develop a common EU approach on health, including at work. Therefore, Members called for the creation of a **European Health Union**. They also called for the creation of a **European care strategy**.