

Benchmarking Working Europe 2023

Europe in transition – Towards sustainable resilience



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Towards sustainable
resilience**

The European Trade Union Institute (ETUI)

The ETUI conducts research in areas of relevance to the trade unions, including the labour market and industrial relations, occupation health and safety and produces European comparative studies in these and related areas. It also provides trade union educational and training activities and support in the field of worker participation.

The ETUI places its expertise – acquired in particular through its links with universities and academic and expert networks – at the service of workers’ interests at European level and of the strengthening of the social dimension of the European Union. Its aim is to support, reinforce and stimulate the trade union movement.

The Institute’s work is organised in accordance with the following key priorities:

- A social-ecological transition and the digital revolution
- A new economic model
- A renewed social contract
- Democracy at all levels
- Stronger actors and trade union renewal

A strategic refocusing of our five traditional priorities, optimising our action along three emerging and rapidly developing themes are:

- The ‘cost of living crisis’
- Open Strategic Autonomy
- Trade unions empowered

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The European Trade Union Confederation (ETUC) exists to speak with a single voice, on behalf of the common interests of workers, at European level. Founded in 1973, it now represents 93 trade union organisations in 41 European countries, plus 10 European Trade Union Federations. The ETUC represents some 45 million members. The ETUC is a democratic and independent organisation, recognised by the European Union, the Council of Europe and the European Free Trade Association as the sole representative, multi-sector, trade union organisation at European level.

The ETUC is the only social partner representing workers at European level in the framework of European social dialogue. The ETUC aims to ensure that the EU is not just a single market for goods and services, but is also a ‘social Europe’, where improving the wellbeing of workers and their families is an equally important priority.

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Contents

Foreword.....	6
Key messages.....	16
Democracy with foresight: the key to a socially sustainable transition in Europe (and beyond)	19
1. Economic developments and policies in Europe in the shadow of the geopolitical and green transitions.....	31
2. Labour market and social developments in the EU: crises and recovery.....	51
3. Wages and collective bargaining: fighting the cost-of-living crisis.....	77
4. Europe’s energy crisis: a stress test for both the European Green Deal and the European Social Model.....	99
5. Social sustainability at work and the essential role of occupational safety and health	121
6. Europe in transition and workplace democracy: towards a strong Social Europe?	143
List of figures and tables	172
List of country codes.....	175
List of authors.....	176



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Foreword

A crisis of crisis

It is now nearly a decade and a half – 15 long years – since Europe was first confronted with what was then defined as ‘the deepest recession since the 1930s’ (European Commission 2009). In 2020, in the context of widespread Covid-19 lockdowns, we were once again warned about what was then said to be ‘the worst recession since the Great Depression’ (UN 2021). A few months into the tragedy of the Russian invasion of Ukraine – when supply chains were already at breaking point and causing inflationary pressures (Austin 2021) – the IMF warned us that ‘The economic consequences from the war [have] spread fast [...]. Hundreds of millions of families were already struggling with lower incomes and higher energy and food prices (Georgieva 2022). The war has made this much worse, and it threatens to further increase inequality.’ The World Bank also warned that ‘Less developed countries in Europe and east Asia face a “major recession”’ (BBC 2022), with a high likelihood that even more developed economies could enter a prolonged phase of economic retrenchment. ‘This would mark the first time in more than 80 years that two global recessions have occurred within the same decade,’ commented the World Bank (2023) recently. All of the predictions about a ‘winter of discontent’ with rising energy and food prices and shortages pushing global displacement, with levels of social and industrial strife reaching new heights, have proved to be correct (News Wires 2022). Behind this discontent, there is, of course, rising poverty, rising inequalities, and millions of workers and families on the brink.

There is almost a sense that what was once defined as ‘Disaster Capitalism’ is becoming a hard-wired feature of the human condition in the 21st century, and that, regardless of whether it leads to ‘shock therapy’, such as that administered during the ‘austerity years’, or to – admittedly innovative – counter-cyclical responses aimed at mitigating the effects of the crisis by cushioning the most vulnerable, as in the context of the Covid-19 pandemic, we are destined to drift from one ‘disaster’ to the next, from emergency to emergency, from slump to slump.

For an economic model and political system that idealises and is, in many ways, premised on the concept of ‘economic growth’ and associates it with ‘an open market economy with free competition’ (according to Article 119 of the TFEU), it is a sobering thought to contemplate that, for the past two decades, the EU has seen no noteworthy GDP growth rates (and certainly only average rates that are well below the totemic 3% annual growth figure) (Macrotrends 2023). There is a sense that the system is running on empty. Or is it?

In her recent work ‘Capitalism on Edge’, Albena Azmanova postulates that part of the problem with our ailing economic system – deeper discussions about the structural limitations of capitalism aside – is the nature of the solutions that, from time to time, are envisaged to remedy its dysfunctions, including some solutions that one could define as ‘progressive’ or ‘emancipatory’, but that ultimately lack ambition and settle for ‘expediency’, ‘common sense’ or



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‘practicality’. In her words, ‘exactly because they have been common sense solutions, they are reactive crisis management undertakings that [...] have unwittingly institutionalised the crisis, thereby perpetuating it’ (Azmanova 2020: 170). This is a situation she refers to as a ‘crisis of crisis’, whereby ‘we are unable to exit the crisis because its root causes have been institutionalised into a new normal’. We are particularly lucky to host a guest editorial by Professor Azmanova and Professor Nikolaidis, who jointly analyse some hitherto unexplored roots of the current crisis and their links to what is a very transient period for Europe at large and Social Europe in particular.

Europe in transition – towards sustainable resilience

The central questions and main contextual background explored by this year’s issue of *Benchmarking* are, at their core, fairly straightforward. Europe is at a crossroads, painfully navigating four transitions at once: a (perhaps less than obvious) economic policy transition best exemplified by the debates surrounding the EU economic governance framework (COM(2022) 583 final); a geopolitical transition, increasingly shaped by the ‘open strategic autonomy’ debate (Akgüç 2021) and, of course, by the Russian war of aggression on Ukraine; and the two more readily acknowledged green and digital transitions. It is, however, becoming increasingly clear, as explored in greater detail in the following chapters, that these four transitions imply important trade-offs and have significant ramifications for the social dimension of the European project and for the livelihoods of European workers. These consequences are currently being ignored by the principal institutional actors that are shaping them and that, at times, have conflicting priorities. Take, for instance, what has been defined as the ‘cost-of-living’ crisis, triggered by rising inflation and falling real incomes for workers and families in all EU Member States. As explained in Chapters 1 and 4, there is no doubt that certain elements of these unprecedented inflationary pressures are linked to Europe’s chronic fossil fuel dependency and a substantial delay in progress on the decarbonisation agenda. It is equally clear that this ‘fossilflation’ – as Chapter 1 defines it – has an impact on the incomes of citizens and businesses, and that any public subsidies and aid aimed at mitigating such impact is likely to delay further Europe’s climate goals, potentially causing further ‘climateflation’ (inflation linked to climate-related production and supply chain disruptions). Virtually all of the chapters in this year’s issue of *Benchmarking* explore similar, hitherto unresolved, tensions.

The current inability on the part of governments and policy-makers, at a national and supranational level, to resolve the tensions inherent to these transitions is a major factor in determining what the following pages of this issue refer to as a ‘polycrisis’. We understand the current conjuncture as a ‘polycrisis’ due to the presence of a series of multiple, separate crises happening simultaneously (e.g. a climate crisis, a cost-of-living crisis, a geopolitical crisis, etc.), due to the way in which these separate crises interact with each other (for instance the energy crisis and the climate crisis), and due to the extent to which they thus amplify each other’s effects, in particular social and economic effects (the extent to which strained supply chains and externally driven inflationary pressures tend

to magnify the shortcomings of current fiscal policies, for instance, as noted in the opening chapter). There is also a growing perception that resolving any of these crises in isolation may be a particularly arduous task and that cumulative responses must be identified.

This polycrisis is intimately linked to the inability of the ruling class to engage with what we identify here as the missing transition: the social transition. This issue of *Benchmarking Working Europe* engages critically with these four transitions and their effects and posits that only a *transformative and ambitious social transition* can break the current cycle of crisis after crisis and instead institutionalise what the issue refers to as ‘sustainable resilience’.

The four transitions – and the missing one

We are arguably witnessing four major discernible and disruptive transition processes that are shaking the kaleidoscope of the European project as it is currently still enshrined in the (fragile) constitutional consensus embodied by the Lisbon Treaty. The rather more obvious (but no less challenging) processes are the green and technological transitions. Yet, it is arguable that, most visibly since the suspension of parts of the Stability and Growth Pact, we have also been experiencing an economic policy (including a monetary policy) transition and – in connection with the supply chain shortages caused by Covid-19 and its aftermath, and more markedly since the Russian invasion of Ukraine – a geopolitical transition linked to the developing concept of ‘open strategic autonomy’.

The key features of each transition, in outline, can be summarised as follows.

The green transition. At EU level, this transition is now clearly framed and structured by the European Climate Law (European Parliament 2021a), enshrining into a legal instrument – a regulation – the ‘binding objective of climate neutrality in the Union by 2050’, an objective that commits towards that goal all ‘relevant Union institutions and Member States’. This is a binding document that will have far-reaching and transformative effects on the ways the EU and its Member States organise their economic and industrial base and their societal arrangements. We can expect a rapid acceleration of the actions and processes adopted under this green transition as we head towards what Article 4(1) of the Climate Regulation refers to as the ‘binding Union 2030 climate target [of] a domestic reduction of net greenhouse gas emissions (emissions after deduction of removals) by at least 55% compared to 1990 levels by 2030’. A more stringent set of actions will be adopted in furtherance of the next intermediate carbon reduction target, to be set for 2040 (see Article 4(4) and (5)). The Regulation also expressly provides that these binding targets must be pursued, ‘taking into account the importance of promoting both fairness and solidarity among Member States and cost-effectiveness in achieving this objective’. In other words, the green transition ought to be a ‘just transition’. Yet more than merely a transition, this will be a ‘transformation’ of the ways in which Europe produces and consumes both goods and services, and of the ways in which it ensures that costs and opportunities are spread across its regions and its demographic and social groups. As explored by Chapter 2, this transformation is already having a significant impact on labour markets, skills and skill shortages and asymmetric but simultaneous job losses and labour



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shortages in a range of sectors, from the automotive to the construction industry, with Europe clearly underestimating the extent of the challenges ahead. As revealed by Chapter 4, this transition is, moreover, not without its contradictions and tensions, both exacerbating certain components of the current 'cost-of-living' crisis and, at the same time, falling victim to some measures (such as subsidies, price caps and price controls) that, despite being adopted, at national and supranational level, to mitigate the effects of energy prices on households and businesses, risk a delay in the necessary weaning of Europe's economies off fossil fuel dependency.

The technological and digital transition. In this domain, the EU has eschewed the adoption of legally binding targets and instead has set for itself a number of policy targets for the next decade under what is now referred to as the EU's '2030 Policy Programme: Path to the Digital Decade', agreed in July 2022 (European Commission 2022a). This type of policy framework, reminiscent of the old OMC/EES, is notorious for having a strong if unassuming transformative potential, including in respect of the social and labour market fabric of the EU. Progress will be measured by means of key performance indicators (KPIs) based on an enhanced Digital Economy and Society Index (DESI) (European Commission 2023) and evaluated against the developed trajectories in an annual report on the 'State of the Digital Decade' that will be presented to the European Parliament and the Council. To give a comprehensive overview and analysis of the digital transformation, the report will also review progress made with regard to the Digital Decade targets and objectives, as well as the rights and principles (European Commission 2022b) that will guide the digital transformation in the EU. Progress will be monitored regularly by the Commission, and a major review is expected by 2026. Reforms will be facilitated and supported by means of a newly introduced Technical Support Instrument. The final document outlining the programme is to be published soon. This transition is, of course, also driven by a number of existing and draft regulatory instruments that are shaping the introduction and operation of some of the emerging digital technologies (AI Act, Directive on Platform Work, Machinery Regulation (European Parliament 2021b, 2021c, 2021d)), while at the same time facilitating their spread and use. It is impossible to overestimate the effects of this transition on our economy, patterns of consumption and societal and democratic arrangements. It is also clear that this transition will be primarily driven by private, and profit-seeking, initiatives (in contrast to the green transition that 'will require significant public and private investment') (European Parliament 2021a). These transitions will have a significant impact on the way a large number of European workers perform their jobs, a point taken up in Chapters 2 and 4. Chapter 5 reminds us that the 'twin transition' (as the digital and green transitions are often jointly dubbed) is far from being OSH-neutral, with hazards, new and old, visibly emerging from processes such as the digitalisation of certain forms of work, generating new types of psychosocial risks, but also from the exposure of workers to asbestos, an increasingly common occurrence on a continent intent on renovating its old building stock between now and 2030.

An emerging geopolitical transition linked to the concept of strategic autonomy. As originally conceived in the 1950s, the 'European project' was first and foremost a project for lasting peace on the European continent. Article 3(1)



There is potential for some social and environmental gains to arise from the ‘open strategic autonomy’ debate

TEU is still very explicit about that objective: ‘The Union’s aim is to promote peace’. This has not prevented the EU from developing, over the years, its own ‘common security and defence policy’ – the very policy domain where the term ‘open strategic autonomy’ first emerged (Van den Abeele 2021). Following the shortages that occurred early on in the Covid-19 pandemic, the term became a cornerstone (Akgüç 2021) of the EU’s emerging ‘industrial strategy’ (COM(2021) 350 final), explicitly inviting the Union and its Member States to take steps to reduce the continent’s strategic dependencies on certain sectors and goods, for example by diversifying and restructuring some of the supply chains established over decades of free trade. OSA is increasingly emerging as a tool aimed at reinforcing the EU’s twin transition, but also at reinvigorating its geostrategic role and strategic ‘sovereignty’ in the aftermath of the Russian invasion of Ukraine. The policy is likely to lead to a radical reshaping of the EU’s supply chains, trade policy and internal market rules in the domains of state aid, competition and public procurement, and – as noted in the March 2022 Versailles Declaration – could lead to enhanced cooperation for the purposes of ‘bolstering [...] defence capabilities’, ‘reducing energy dependencies’ and ‘building a more robust economic base’ (European Council 2022). There is potential for some social and environmental gains to arise from the ‘open strategic autonomy’ debate, linked to shorter and more sustainable supply chains, the reshoring of certain high-value jobs to Europe and reduced dependence on third countries with dubious democratic credentials and a chequered track record in the domain of labour and human rights standards. Some of these opportunities are envisaged in the recently released ‘Green Deal Industrial Plan’ (COM(2023) 62 final). Yet there are also risks and pinch points ahead. Shorter and greener supply chains may also generate higher consumer prices, testing Europe’s addiction to cheap imports as a tool to manage inflationary pressures. The European trade union movement has positioned itself in this debate by demanding that OSA develops a strong social and democratic dimension, in the belief that ‘a race to militarisation and weapons expenditures should be avoided’ (ETUC 2022). The ETUI has identified the tensions arising from certain future regulatory OSA scenarios that may depart from the Treaty-based idea of a ‘highly competitive social market economy’ in favour of a faster transition in certain critical sectors, but at the cost of facilitating greater levels of ‘capital concentration’ in particular industries, without much consideration for the trade-offs in terms of industrial democracy and monopsonistic labour markets (Akgüç et al. 2022). Chapter 6 of *Benchmarking* is a timely reminder of the pressures that the four transitions analysed in the present issue are already placing on Europe’s model(s) of industrial democracy, of the perils associated with a compression of democratic voices in the enterprise, and of the transformative potential of democracy at work.

An emerging economic and monetary policy transition. If there is one EU policy area lacking a clear compass for policy direction, this might be it. The Lisbon Treaty is arguably the foremost embodiment of contradictory policy orientations, with, for example, Article 3 TEU famously referring to the high-sounding concepts of ‘sustainable development’, ‘balanced economic growth’ and ‘social market economy’, and Article 119 TFEU (the key provision establishing the principles sustaining the EU’s ‘economic and monetary policy’) positing that, ‘for the purposes set out in Article 3 of the Treaty on European Union, the activities of the Member States and the Union shall

include, as provided in the Treaties, the adoption of an economic policy which is [...] conducted in accordance with the principle of an open market economy with free competition'. In practice, the economic and monetary policy of the EU has oscillated between the promotion of an 'open market economy' and the creation of a 'social market economy', although it is fair to say that the pendulum has historically swung in the direction of an open, free market, defined under the neo-monetarist paradigm of austerity (Konzelmann 2014). This contradiction remains unresolved, and only a meaningful Treaty revision process will, ultimately, be able to resolve it. It is, however, important to acknowledge that, especially since spring 2020 and in connection with the policy responses to the pandemic lockdowns and economic downturn, the pendulum has started swinging in the direction of a more visibly 'social' market economy. The most visible of these policies is arguably the activation of the general escape clause of the Stability and Growth Pact (COM(2020) 123 final) that, while not amounting to a full suspension of the latter, has in effect allowed for expansive fiscal and economic policies to be adopted at a domestic level. Less visible interventions were implemented through the ECB (2020), for instance through the introduction of more favourable conditions for targeted longer-term refinancing operations or the creation of a pandemic emergency purchase programme (PEPP) with a purchase envelope of 750 billion euros until the end of 2020 (later increased to 1 350 billion euros and extended at the end of the year to a total of 1 850 billion euros), which was discontinued only in March 2022. With a looming debate about the future of these 'emergency' measures, it is increasingly being suggested that the traditional EU fiscal and debt rules are now in need of reform, but it is not yet clear what rules should replace them. In late 2022, the Commission finally produced a Communication on orientations for a reform of the EU economic governance framework (COM(2022) 583 final). The document, analysed in greater detail in Chapter 1, is supposed to assist with the reconfiguration of the EU's macroeconomic governance framework, both to take stock of the evident failures and strictures that have (fatally) affected it since its establishment in the Treaty of Maastricht, and to place Europe in a better position to respond to the challenges associated with the twin transition (and its emerging geopolitical aspirations). Yet, as noted in the following pages, these proposals amount to 'tinkering' rather than resolving the persisting tension, or even contradiction, between a 'social market' and an 'open/free market' vision for the future of Europe. Their (limited) resolve is already clashing with a conventional monetary policy response orchestrated by the ECB and delivered by means of interest rate hikes – a response that, as noted in Chapter 1, 'is likely to be less effective and to cause considerable collateral damage in terms of growth, jobs, incomes and financial stability, making it harder to justify its implementation'.

A transformative and ambitious social transition for sustainable resilience.

A central argument underlying this year's issue of *Benchmarking* is that Europe's success in navigating the current storm caused by these four transitions is intimately linked to its ability to develop a new, transformative and ambitious social transition. In arguing this, we are encouraged by Kalypso Nikolaidis' (2018) insightful remark that, 'If the EU is to withstand the storm, we do not have the luxury of abstaining from reflecting on its social foundations, of which intermittent democratic discontent is only one expression [...]. [T]his means above all deepening its social foundations, which calls for a



This has all the makings of a perverse ‘trickle-up’ economic model, where living standards drop for the many, inequalities increase and profits increase for the few

shift from the politics of “stability” to the politics of “sustainability”. While the European Pillar of Social Rights has provided an unwittingly suitable platform to transition from the austerity years to the more recent phase of consensual and bipartisan European social policy-making, some five years after its adoption it would be useful to start a process of elaboration that could lead to a new and more ambitious agenda (a point also raised in the final report of the Conference on the Future of Europe). This social transition would also serve the purpose of underpinning and guiding the aforementioned four transitions, and of breathing life into the vision of a resilient EU that genuinely works, ‘for the sustainable development of Europe based on balanced economic growth and price stability, a highly competitive social market economy, aiming at full employment and social progress, and a high level of protection and improvement of the quality of the environment’. Central to this social transition is the idea of social dialogue and collective bargaining, a point that our guest editorial already explores in its concluding section and that transpires throughout the chapters of this year’s *Benchmarking*. This is also, and no less importantly, a central feature in the recent Commission proposal for a Council Recommendation on strengthening social dialogue in the European Union (COM(2023) 38 final), published just as the present issue was going to print, with an accompanying Communication that, from its title alone (‘Strengthening social dialogue in the European Union: harnessing its full potential for managing fair transitions’ (COM(2023) 40 final), could not be more explicit in setting out its vision for fair and sustainable transitions.

All of the chapters in this issue of *Benchmarking Working Europe* contain data suggesting that we are, unfortunately, a long way from this vision. Chapter 1 notes that, yet again, the wage share has been steadily declining since 2020, suggesting that the compensation of employees will not have kept up even with labour productivity growth. By contrast, the period of rising inflation has been matched with an increase in the profit share in the EU, as companies with market power have been managing to shift their higher production costs to consumers. This has all the makings of a perverse ‘trickle-up’ economic model, where living standards drop for the many, inequalities increase and profits increase for the few. Chapter 2 reveals how, in spite of one of the tightest labour markets experienced in recent decades, with labour shortages in a growing number of sectors, Europe remains a region of the globe where high levels of underpaid and involuntary forms of ‘poor work’ are widely present, with 1 in 10 European workers earning below poverty levels, a figure that disproportionately affects the young, women and the precariously employed. Chapter 3 reveals that there is very strong evidence that real wage increases have been lagging well below the rising cost of living (and rising profits, as noted in Chapter 1), in spite of an unprecedented effort on the part of EU workers to claim what’s theirs through collective mobilisation and industrial action. Chapter 4 stresses that aggregate inflation figures hide the disproportionate impact that higher food and energy prices have on lower-income households. In countries like Italy, for instance, the richest 20% would see a price effect of 6% on household income, while the poorest 20% would see an 11% increase, whereas for Belgium the respective numbers are 7% and 10%. Both France and Germany are expected to observe a minor difference in the price effect of energy prices on the lowest and highest income groups, at least based on IMF estimates from August 2022. Overall, greater levels of inequality, both within

and between Member States, are the likely outcome of the current polycrisis. The worsening health and psychosocial outlook for millions of European workers following the pandemic, clearly outlined by Chapter 5, is likely only to deteriorate further in the months to come. Following a sobering analysis of the current state of industrial democracy institutions in the EU, Chapter 6 points out that social resilience should be informed by principles stressing the importance of workplace democratic instruments that engage fully in cohesive, multi-level and multilateral processes, highlight integrated analysis of the transitions in relation to democratic and social progress, participate early on in activity that prioritises social transition, emphasise upward convergence in social transition, and encourage a 'people-centred approach' to each transition via effective worker involvement, information, consultation, participation and decision-making in varying industrial relations and regulatory and political economy settings, a point that is also developed in the closing paragraphs of our guest editorial.

Relaunching a socially ambitious agenda, based on the idea of social progress and sustainability, is not a one-year or short-term project. Yet the work carried out in this issue of what is our flagship publication can assist with that endeavour, by identifying some of Europe's social fragilities and by framing the current challenges faced by the EU in a clear and compelling way. This is particularly relevant in the year in which the ETUC is celebrating its 50th anniversary at its 15th Statutory Congress, which will be dedicated to exploring an ambitious policy and agenda (industrial, services and public services) to ensure a fair deal for workers (hence the topic of the ETUC Congress Manifesto: 'Together for a fair deal for workers').

The European labour movement, and the progressive thinkers who support the ideals of social progress, equality and the democratisation of the economy, enter this new phase with an unprecedented degree of confidence, grounded in the achievements of the recent past (for instance the adoption of uniquely transformative and socially ambitious regulatory instruments such as Directive 2022/2041 on adequate minimum wages, which forms much of the contextual background to the wage development analyses in Chapter 3) and cemented by a vision of the trade union movement as an actor for change, capable of ensuring a fair and solidaristic response to what the opening paragraphs of this Foreword refer to as the 'crisis of crisis'. The European trade union movement approaches this challenge determined to end the 'cost-of-living' crisis, while shaping the current transitions and ongoing transformations in ways that work for all (and not just for the few), strengthening Europe's social and economic fabric, and ensuring that Europe remains anchored to the values of peace and security.

We cannot overestimate the importance of this challenge. In last year's issue of *Benchmarking Working Europe*, we anticipated this complex period – this difficult conjuncture – by referring to the idea of the 'condominium', a political phase (distinct from the Gramscian idea of 'interregnum') where competing ideas and priorities over the resolution of a crisis coexist. There may be no political vacuum, and no political morbidities associated with an unborn 'new' and a moribund 'old'. Yet there is a serious risk associated with what Gramsci would have referred to as a 'crisis of authority'.

In this context, to borrow his words:

The crisis creates situations which are dangerous in the short run, since the various strata of the population are not all capable of orienting themselves equally swiftly, or of reorganizing with the same rhythm. The traditional ruling class, which has numerous trained cadres, changes men and programmes and, with greater speed than is achieved by the subordinate classes, reabsorbs the control that was slipping from its grasp (Gramsci 1971: 210-11).

The following pages of *Benchmarking Working Europe* amply demonstrate that there is sufficient analytical depth and rigorous analysis within the labour movement for European workers to orientate themselves swiftly and convincingly around Europe's current transitions, and – no less importantly – to shape them.

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Key messages

Democracy with foresight: the key to a socially sustainable transition in Europe (and beyond)

How can the European Union steer a course towards long-term social and ecological well-being in a context of incessant emergencies? Two decades of perpetual crisis management have greatly eroded Europe's capacity to pursue a sustainable future, as considerations of short-term expediency continue to hamper the four transitions that are necessary – green, digital, geopolitical and socioeconomic. At the same time, however, few polities in the world are better suited to the design and promotion of long-term policies. This chapter draws on its authors' respective research into sustainable European integration and progressive social transformation to identify a path for the socially sustainable transition which we now need.

1. Economic developments and policies in Europe in the shadow of the geopolitical and green transitions

The most recent surge in inflation has shifted the context in which macroeconomic policies have been operating to pursue their objectives, most notably as central banks around the world, including the ECB, have changed course and raised interest rates to fight inflation. Higher interest rates make the tasks of fiscal policies, whether national or EU, more challenging as the cost of borrowing increases. The debate on whether inflation and what central banks regard as 'necessary' interest rate increases will prove to be relatively transitory is still open. While energy prices have already returned to pre-war levels in international markets, this chapter has shown that the transitions that the EU has to undergo suggest inflation is likely to stay higher than in the era of 'great moderation'. At the same time, by raising interest rates, central banks may face a conflict between meeting their own objectives of price stability and financial market stability. This shift in context does not mean, however, that macroeconomic policies in Europe cannot support the green, digital and geopolitical transitions by facilitating a social transition towards reduced inequality. Reduced inequality would be crucial not only to make the fight against climate change more effective but also to create the political consensus for implementing policies that mitigate it. It would, however, take a decisive shift away from established theoretical frameworks, the seeds of which have already been sown.

2. Labour market and social developments in the EU: crises and recovery

European labour markets have recovered well from the Covid-19 pandemic with rising employment and narrowing gaps. This rapid recovery has actually led to a growing shortage of labour, with several sectors struggling to fill vacancies. On the heels of the pandemic, other crises have arrived – first, the Russian invasion has led to an inflow of Ukrainian refugees and the granting of temporary protection; and, second, Europe is struggling with a cost-of-living crisis requiring a rethink of social assistance and benefits. This chapter also sheds light on platform work across Europe: while still rare, legislative work to regulate its overall poor working and employment conditions is ongoing. Finally, the European Semester has fully resumed. The Commission and Council recommendations, as well as the Member States' reform programmes, focus mainly on active labour market policies but pay very little attention to working conditions, showing a selective implementation of the European Pillar of Social Rights.

3. Wages and collective bargaining: fighting the cost-of-living crisis

Nominal wage growth has been stronger in the majority of EU Member States than in 2021, but it has still lagged behind inflation. The result has been a historic drop in real wages and, consequently, a dramatic loss of purchasing power for workers. At the same time as workers and their families have faced a substantial cost-of-living crisis, many businesses have benefitted from the rise in inflation, with strong increases in corporate profits. As a result, workers have borne the brunt of current inflation shocks. Member States have tried to address the loss of purchasing power by complementing wage policies with various kinds of support measures, but minimum wage increases and collective bargaining have played a particularly important role in mitigating the negative effects of inflation, especially for low-wage earners. Timely implementation of the European Minimum Wage Directive is, therefore, essential to further strengthen the role of these two important tools in addressing the cost-of-living crisis.

4. Europe's energy crisis: a stress test for both the European Green Deal and the European Social Model

In 2021, global greenhouse gas emissions hit an all-time high, and the trends for 2022 were pointing towards a further increase. This increase will be limited only through the impact of the energy price increases and the resulting lower economic growth outlook, where lower-income groups and poorer countries shoulder most of the burden. Inequality is set to increase further both across and within countries. Energy price increases vary greatly by Member State, with a lack of price transparency for consumers. Energy poverty was already significant, in some countries alarmingly high, even before the energy crisis. According to forecasts cited in the chapter, 60 million Europeans may be affected by energy poverty by the end of 2022. Even positive developments can lead to a further rise in inequality, as the recent progress on electric mobility demonstrates. National response measures to the energy crisis are struggling to strike a balance between climate and social objectives.

5. Social sustainability at work and the essential role of occupational safety and health

The digital and green transitions affect working conditions through changes in the methods of production and the types of work performed. Occupational safety and health (OSH) should, therefore, be a primary concern within this context. This chapter analyses EU-specific trends in work-related physical risks (work-related accidents and worker exposure to asbestos) and psychosocial risks, as well as assessing the fitness of the EU's legal framework on OSH for the transitions and the future. The analyses highlight that continuous collection of OSH data and monitoring of the impacts of the transitions are essential to prevent gender and intersecting inequalities in worker protection, and that adopting a life course approach to work and health is essential, as some occupational diseases take time to develop. In this rapidly evolving context, worker participation in the assessment and implementation of any changes is crucial, and anticipating the issues and difficulties that workers may encounter leaves room for EU OSH legislation to be adjusted or complemented where necessary.

6. Europe in transition and workplace democracy: towards a strong social Europe?

Challenges to and opportunities for workplace and wider democratic life have been influenced by green, economic, digital and geopolitical transitions in the EU and its Member States, themselves shaped by the complex dynamics of the pandemic. Where they reinforce or augment democracy deficits, they constrain the region's social progress, resilience and sustainable development, as evidenced by persistent inequalities within and across Member States. An ambitious agenda on social transition is needed to navigate these transitions, informed by principles which stress workplace democratic instruments that (i) focus fully on cohesive, multi-level and multilateral processes; (ii) highlight integrated analysis of the transitions in relation to democratic and social progress; (iii) participate early on in activity that prioritises social transition; (iv) stress upward convergence in social transition; and (v) encourage a 'people-centred approach' to each transition through effective worker involvement, information, consultation, participation and decision-making in various industrial relations, regulatory and political economy settings.

Democracy with foresight: the key to a socially sustainable transition in Europe (and beyond)



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Topics

Introduction	21
Transition challenges	22
Remedies: democracy's renewal	26



The European trade union movement is uniquely well-placed to drive this process of transitioning from the particular to the systematic and systemic dimensions of the social justice agenda, thereby helping to build the powerful solidarities and alliances that we need in order to navigate the four major transitions of our time

Albena Azmanova and Kalypso Nicolaïdis

Introduction

How can the European Union steer a course towards long-term social and ecological well-being in a context of incessant emergencies? Two decades of perpetual crisis management have greatly eroded Europe's capacity to pursue a sustainable future, as considerations of short-term expediency continue to hamper the four transitions that are necessary – green, digital, geopolitical and socio-economic. At the same time, however, few polities in the world are better suited to the design and promotion of long-term policies. This editorial draws on its authors' respective research into progressive social transformation and sustainable European integration to identify a path for the socially sustainable transition which we now need and which the rest of this issue of *Benchmarking Working Europe* further explores.

We have finally woken up to the fact that the world has changed irrevocably. Caught at the epicentre of a multi-layered transition, we wonder how the many actors involved will deliver on the task of deploying the enormous societal resources necessary to address the major redistributive impacts of this transition and the intense political conflict that they will create. We cannot yet tell how effectively Europeans will manage the four strands of this transition (green, digital, geopolitical and socio-economic), or in other words the public and private actions aimed at channelling the structural changes at play, such as the deleterious effects of our Anthropocene Era, the dystopia conjured up by digital Homo Deus and the geopolitical upheaval caused by rapid shifts in the distribution of global power away from the affluent West. Although many trajectories are still possible against the backdrop of these structural changes, it is becoming increasingly clear that the first three transitions – green, digital and geopolitical – give rise to a fourth imperative: the socio-economic transition to inclusive, solidaristic and fair societies. How then should we envisage the politics of 'Social Europe' as an integral part of a multi-layered transition? If Social Europe is the Cinderella of the political agenda, we believe that the trade union movement is the Fairy Godmother whose job it is to empower the neglected orphan. In turn, however, this vocation depends on a number of conditions of possibility.

In what follows, we assess these conditions by surveying the shifting landscape of societal transformations, ultimately foregrounding the responsibility of EU institutions and civil society actors (including unions) for the task of safeguarding the fourth transition.

Transition challenges



Most importantly, how can we strengthen Social Europe while navigating the other three transitions?

What are the parameters most relevant to the four transitions and their associated challenges? A number of exogenous shocks have served as catalysts, affecting the pace and magnitude of each of them: these shocks range from the environmental trauma that is ever more tangibly felt to sudden refugee inflows, cost-of-living woes, public health emergencies and armed conflicts at Europe's borders and elsewhere. While shocks do not necessarily need to turn into recurrent crises, their amalgamation into a 'polycrisis' magnifies their impact, which in turn affects the margins of manoeuvre available when dealing with the long-term transitions. The resilience strategies that the EU adopts in managing the exogenous shocks and the internal conflicts they trigger will determine the transformative potential of the transitions. So how do we deal with these short-term challenges in line with our long-term goals? Most importantly, how can we strengthen Social Europe while navigating the other three transitions?

A comprehensive strategy for navigating the current transformation would call for consideration of the key conflicts that structure Europe's changing societal cartography and the political tensions generated by these conflicts in the following five realms:

- The *realm of political economy*, where the old capital-labour divide is overlaid by a consumer-producer conflict, including conflict over CO₂ emissions; these conflicts are complicated by the systemic demands for growth that undergird production, employment and consumption. Crucially, the question that comes to the fore here is that of basic needs: which type of consumption is a matter of basic human need, and which is a matter of an unsustainable lifestyle, fostered by conspicuous consumption which creates incentives of accumulation beyond need or even comfort?
- The *realm of political identities* within Europe, where we see a conflict of Europeanised versus nation-bound citizens, with both groups holding contrasting beliefs on the role of the EU and the kind of solidarity it ought to deploy.

In turn, these two structural realms affect the next three:

- The *realm of the politics of space* across Europe, where tensions play out between east and west, north and south, nomads and settlers or insiders and outsiders, with each of these groups reflecting a different political and cultural take on who the most vulnerable individuals are and how the EU should deal with them.
- The *realm of the politics of time*, where transitional challenges lay bare conflicts between the generations that coexist today, or in other words young and old, and between living generations and future generations, as well as – most prosaically – the various degrees of preference for the present held by different social classes.
- The *realm of democratic politics*, where the nature of our transformation will ultimately be decided by our capacity to manage conflict through democratic practices at all levels, from the world of work and industrial democracy through to the world of education or the world of the state. We need to seize our chance to recast our democracy and reshape our democratic geopolitics.

To put it more simply, we could say that these five realms together shape the political space in which the underlying economic policy transition is taking place. Before trying to assess how a renewed vision of Social Europe might be deployed in this space, we need to lay out the relevant parameters found in the three interconnected dimensions of the EU edifice: structural, socio legal and socio-economic.

The structural parameters concern the global embeddedness of European societies and the global power asymmetries of which Europe is a part. The networked global order that emerged from the last wave of globalisation in the 1980s had two significant structuring effects. First, the globally integrated economy was shaped as a web of transnational value chains and production networks, with the attendant fragilities that were highlighted by the Covid-19 pandemic. Second, over the span of the past 40 years, European societies have been significantly deindustrialised, which has altered the structure of the national economies, resulting in demographic changes (for example, the balance between blue-collar



We need to ask what kind of *politics* and what kind of *policy* actively generates precarity by translating overall risk and uncertainty into pathological fragilities

and white-collar workers has shifted in favour of the latter). Importantly, while the post-war approach to international economic governance veered towards ‘embedded liberalism’ or the idea that domestic social imperatives ought to trump the free flow of capital across borders, we have recently been moving towards ‘disembedded liberalism’. The policy commitment to free trade in globally integrated markets has become progressively disconnected from the societies these policies were meant to serve, with far-reaching structuring effects on both European societies and the global order. This order has also been shaped by the practices of what Naomi Klein (2005) has described as ‘disaster capitalism’: Western governments’ use of the fear and desperation created by catastrophes to engage in radical social and economic engineering, from which the reconstruction industry of private corporations draws profit. The structural dynamics also play out in climate change led by global inequality – with all the attendant issues of global climate justice. In this instance, the fate of the fourth transition will be affected by the balance achieved between the economy-driven dynamics of wealth creation and allocation versus state-based redistribution (including via inflation management).

The legal parameters of the economic policy transition concern European citizenship: which transnational social rights in the areas of social security and welfare should be granted to individuals in order to ensure a degree of protection against social risks relating to work, unemployment, healthcare, pensions and poverty? The common market was endowed with an embryonic social citizenship in the 2000s, but the nascent Social Europe suffered setbacks as social rights, nominally vested in law, were eroded under the pressures of neoliberal ‘structural adjustment’ measures further catalysed by the 2008 crisis. The past five years have admittedly gone pretty well for the ‘neglected orphan’: especially during the pandemic, the EU delivered for the working citizens of Europe. Yet this momentum may be waning, and the Pillar of Social Rights may have exhausted its propulsive potential. Social Europe remains a patchwork of old 20th-century instruments coexisting alongside a limited number of more up-to-date instruments, combined with a lack of vision about how all this fits in with the other transitions. As we argue at the end of this editorial, the European trade union movement is in a position to take the lead in building the broad democratic ecosystem that is needed to connect the dots and nourish a vibrant European social model.

Last but not least, we need to consider the sociopolitical parameters of the economic policy

transition which emerge in reaction to the social impact of neoliberal governance. This impact involves three phenomena: growing inequality, impoverishment and precarity. Rising inequality and the impoverishment of the worst-off in Western democracies has been a central subject of research and policy-making, as reflected in the excellent special issue of *Benchmarking Working Europe* published last year (Countouris et al. 2021). The precarisation associated with in-work poverty, which is rooted in insecure and poorly paid jobs, has also been well researched (e.g. Apostolidis 2019; Standing 2011). However, generalised precarity – the spread of precarity across the social spectrum – is a more recent phenomenon and has so far remained at the margins of academic and policy interest, while its implications for the fourth transition are significant. We will therefore address it here in some detail.

Precarity: an acute social malaise

Unlike sociologists of modernity from Max Weber to Ulrich Beck or Anthony Giddens, who tend to depoliticise precarity when they claim that growing insecurity is endemic to modernity, we need to ask what kind of *politics* and what kind of *policy* actively generates precarity by translating overall risk and uncertainty into pathological fragilities – conjuring up what, for Antonio Gramsci, would have been a generalised pessimism: ‘the greatest danger we face at present, given that its consequences are political passivity, intellectual slumber, scepticism about the future’ (Gramsci 1924). Indeed, precarity is a condition of *politically* generated economic and social vulnerability rooted in the insecurity of livelihoods (Azmanova 2020a, 2021; Apostolidis et al. 2022; Arriola Palomares 2007; Choonara et al. 2021). It harms not only individuals’ material and psychological welfare, but also society’s capacity to cope with adversity and govern itself. Two features of precarity merit particular attention: its political origins and its massive scale.

Around the turn of the century, as competition in the global marketplace intensified thanks to the aforementioned spread of disembedded liberalism, achieving and maintaining *competitiveness* became the top policy priority for many governments; the EU’s ‘Lisbon Agenda’ is a good example. This commitment to competitiveness replaced the growth-and-redistribution policy of the Welfare State (a formula that effectively delivered the inclusive affluence of the post-war Welfare State at the cost of environmental trauma), but also overlaid the mantra of unfettered competition that was the dominant trait of the neoliberal 1980s and 1990s.



At the heart of precarity lies not uncertainty, instability or insecurity, but *powerlessness*

For the sake of ensuring national competitiveness in the global race for profits, public authorities not only privatised public assets, slashed social spending and reduced employment security, but also, often in violation of formal EU rules, struck sweetheart deals with global corporations, thus creating social privileges for both capital and labour within these corporations. The pursuit of competitiveness in the global economy eventually allowed economic logic to penetrate into all spheres of decision-making, including public healthcare. The *raison d'économie* became the new *raison d'état*.

This formula of politics, however, is a form of socially irresponsible rule, where governments set policy objectives (i.e. ensuring competitiveness) without taking into consideration the broader and longer-term impact on societal resilience. Although policy elites pledged allegiance to democracy, they engaged in a form of rule that, even when responsive to citizens' immediate anxieties and concerns (as in the case of Brexit), did not assume responsibility for larger and longer-term societal well-being – from the impact on the environment to the effects on individuals and societies in Europe and beyond. As lifeworlds and livelihoods became thus destabilised, our societies became afflicted by an epidemic of precarity, even as they recovered somewhat from the 2008 financial meltdown.

Politically, we note that at the heart of precarity lies not uncertainty, instability or insecurity, but *powerlessness*. This is suggested by the etymological origin of the term in the Latin word '*precarius*' which means 'depending on the will of another' or 'obtained by entreaty (by begging or praying), given as a favour, depending on the pleasure or mercy of others' (from '*prex*', meaning to ask or to entreat).

Such disempowerment arises from a misalignment between responsibility and power, as public authorities increasingly offload responsibilities on individuals and societies – responsibilities these latter are unable to manage. We are familiar with the phenomenon of individual responsabilisation – the tendency to allocate responsibilities to citizens and public institutions without equipping them with the financial and institutional resources they need in order to carry them out (the hospitals that were poorly equipped to cope when the coronavirus pandemic first unfolded are a good example). We are thus given responsibility for making ourselves employable and employed while the political economy is failing to create enough good jobs.

All this has resulted in the generalisation of work-related pressures and the spread of precarity across social classes, professional

occupations and income levels. In short, the combination of automation, globalisation and cuts in public services and social insurance has generated massive economic instability for ordinary citizens – for men and women, young and old, skilled and unskilled, the middle classes and the poor alike. Precarity is both pervasive and strongly stratified. It is much graver for minorities, immigrants and other impoverished or disadvantaged groups, but it is important to acknowledge that it now affects not only those in poorly paid and temporary jobs, referred to by Guy Standing (2011) as 'the precariat' (akin to the proletariat). It also results in psychological strain on what Alissa Quart (2018) has called the 'middle precariat': a professional class encompassing professors, nurses, administrators in middle management, caregivers and lawyers, all struggling to cope with life in the 'always-on' economy. Precarity is now a transversal injustice that cuts across all other forms of social harm, and across classes and employment statuses.

Even though the precarity of the most fragile sections of the population (those in long-term unemployment or in poorly paid, insecure employment) is of most urgent concern, it is important also to acknowledge and address the massive scale and cross-sectional nature of the phenomenon, because this has significant political effects (Azmanova 2020a, 2022). We need to acknowledge the precarity of the 'socially privileged' because their concerns cannot but have political weight in our democracies.

Here it is worth noting that the personal and societal aspects of precarisation are closely related; while insecure employment directly generates precarity for those on temporary contracts, cuts to public healthcare budgets indirectly increase precarity for all. The depletion of the commons also increases the importance of personal income as a source of security, thereby enhancing the salience of inequality. The poor suffer not because others have more, but because they do not have enough to ensure for themselves decent lives, especially because collective sources of social safety are vanishing. Yet the emphasis on personal income which tends to be a feature of debates on inequality (since inequality-related concerns deploy the logic of comparisons between me and you, us and them) contains a dangerous fallacy, for no matter how equal as individuals we might be, and even no matter how wealthy, no one can be rich enough to provide for themselves good healthcare, as this depends on enormous public investment in science, education and medical provision. No matter how equal our societies might become, they are bound to remain fragile if precarity erodes our personal and collective

capacities to navigate our existence. That is why the three scourges of the contemporary liberal democracies – poverty, inequality and precarity – need to be addressed as distinct social problems.

Since it is affecting an ever-growing number of demographic groups and our societies in general, precarity should be seen as the social question of our time. We are not attempting here to defend an ‘equality of poverty’ paradigm. Yet, as precarity cuts across the familiar fault lines of conflict and cooperation and corrodes our social bonds, we must explore the emerging new nexuses of the precarity problem (e.g. between the long-term unemployed and those in stable but stressful jobs – both precarious, albeit in different ways), and seek emergent strategies of solidarity across the five political realms discussed at the outset. First, however, this requires an awareness of the political implications of this state of affairs.

The corrosive political offshoots of precarity

The spread of precarity across the social spectrum has important political implications in respect of the four transitions.

1. Since the thirst for security generally dampens any desire for change, public anxieties tend to fuel far-right, xenophobic populism that calls for shortcuts to security (e.g. blocking immigration). This is especially the case when a radical alternative is unavailable or when such an alternative is seen as implausible or incapable of delivering.
2. On a related note, precarity fuels support for autocratic rule. The more vulnerable people feel, the more they are willing to rely on political strongmen who promise instant stability. This is at the root of rule-of-law backsliding in Europe, even in mature democracies such as France, Spain and Austria (Azmanova and Howard 2021; Nicolaïdis and Merdzanovic 2021). However, autocratic shortcuts to security are treacherous because they disempower us further by abandoning us to the whim of dictators – thus aggravating the condition of precarity we mean to cure.
3. Precarity is eroding solidarity as anxiety about preserving one’s social status haunts all social groups. The middle classes seem to be abandoning the poor, whose interests they had traditionally championed – for example with the creation of the Welfare State – and the working classes are once again turning against immigrants for fear of job losses.
4. Finally, economic insecurity is politically debilitating: it directs all our efforts towards finding and stabilising sources of income,

leaving neither time nor energy for larger battles about the kind of life we want to live. By radicalising the conservative thirst for stability, precarity drains democracy’s creative energies.

Europe’s time dilemma

Faced with all these challenges, a plurality of European citizens is generally well aware of the need to address what we might call Europe’s time dilemma – a dilemma that pits the EU’s multiplying emergencies on the one hand against its growing capacity to plan for the long term on the other. The EU has admittedly started to design significant policy shifts to address the polycrisis, but the effective implementation of these policies remains in the balance. Objectives are often watered down by interests entrenched in the defence of the status quo, even when political leadership makes a commitment to bold policy objectives informed by well-known public concerns, such as the Next Generation Fund (with its formally ambitious environmental, digital and social components), Fit for 55 (the EU’s plan for the green transition) or REPowerEU (aimed at curbing fossil fuel dependency).

Given that our societies are now (in winter 2022) facing further economic plight with rising inflation and soaring energy prices, the tendency to focus on the troubles at hand at the expense of the long view and broader societal interests is bound to become more acute. We cannot be bothered about the end of the world while we are worried about the end of the month, to paraphrase the quip of a participant in the Yellow Vest protests in France. Yet this is a vicious circle: the more we postpone addressing the concerns of tomorrow, the more crises we have on our hands, thus incessantly shortening and narrowing our political horizon.

The trouble is therefore not that we are in crisis (which can be an impetus for transformation) but that we are unable to exit the crisis because its root causes have been institutionalised into a new normal. Society is stuck in a state of chronic, endless inflammation (Azmanova 2020b).

Two factors combine to foster the tyranny of the present. As discussed above, our political economy generates massive precarity, which makes people fearful of risk and change even as they admit that change is urgently necessary. At the same time, our political systems cannot rise to the challenge, based as they are on short electoral cycles, partisan politics and the anonymous electoral franchise, which institutionally empower the short and narrow view. How can this double bind be remedied?

Remedies: democracy's renewal

The Covid-19 crisis has led to a paradox whereby governments, civil society and corporations have all seen their respective power grow in different realms, leading to ever more competition between them. Ideally, wide-ranging governance partnerships would be established to push back against widespread frustration in order to move to a politics of militant hope and mobilisation.

How can this happen? How can we think big again? How can we recover our individual and collective agency to navigate the four transitions? What should progressive movements seek to achieve? How can we respond to 'end of the month' concerns in the light of 'end of the world' concerns and vice versa? Since Tocqueville pinned much of his hope for democracy on socio-economic convergence between people, answering these questions will create what we call a Tocquevillian Virtuous Cycle: by fighting precarity (in the broad sense advocated for in this editorial), we create the conditions for political solidaristic thinking and action. At the same time, by building democracy, we generate the political will to enact the reforms needed to overcome and transcend precarity.

We therefore need to identify the *enabling conditions* under which democracies not only survive but are able to absorb both endogenous and exogenous disruption(s) while maintaining enough flexibility to generate new spaces for political legitimacy and citizens' empowerment. There is no invisible hand of democracy that will bring about these conditions – democracy happens through specific and continuous public engagement. Democracy is what democrats make of it. As a case in point, the beneficial effect of industrial democracy and increased worker participation in firms' decision-making is well-documented: it decreases exploitation and reduces inequality in the firm and in society, and, more broadly, there is a strong nexus between workplace democracy and social and environmental sustainability (Deakin 2021; Battilana et al. 2022; De Spiegelaere et al. 2019). However, these effects cannot be fully realised in the context of ever-increasing global competition – workers themselves are constrained by the hegemony of the profit motive. Unless the democratisation of production is embedded into a truly transformative democratic and economic agenda, it also runs the risk of increasing

workers' personal investment in unreflective competitiveness with all the familiar negative impacts on human beings and nature: from self-exploitation, poor work-life balance and mental health disorders through to extractive economic practices that destroy the ecosystem.

It is therefore important to resist the neoliberal penchant for burdening democracy with responsibilities it is structurally hampered to discharge. If we consider democracy as the set of institutions and practices which ensure that public power serves the public interest, then it is not enough to focus only on procedures that delegate power. We further need to consider how these procedures or structures protect the State (and other forms of the collective) from capture at the hands of particular private and factional interests (Bagg 2021).

Most broadly, this implies asking how democratic renewal can address the political economy and the political order together. The political economy of democratic empowerment calls for insulating European societies from the nefarious pressures of an exclusive focus on global competition for profit. It thus calls for altering our economic philosophy to rethink the meaning of 'growth' and inclusive prosperity to emphasise solidarity in well-being, of which economic stability is a cornerstone (Azmanova and Galbraith 2020; Azmanova 2021b). A focus on stability, rather than simply prosperity, will allow us better to reconcile ecological justice and social justice. It is not enough to build resilience, or in other words to strengthen our societies and communities to withstand adversity. Above all, we need to address the sociopolitical drivers of vulnerability and demand that public authority, at all levels of governance, assumes responsibility for systematic long-term appraisals of crisis management.

This will not happen without, in turn, adapting our political order to make room for the kind of citizen-led countervailing power best guaranteed by a pluralistic civil society featuring a diverse range of voluntary organisations, media outlets, academic institutions, social groupings or religious denominations, engaged in coalitions guarding the public interest in pushing back against both state and corporate capture. The current mechanisms of electoral accountability

are too weak to tie decision-making to the longer view and to the broader public interest. On the one hand, cast privately, the democratic vote increasingly expresses personal and short-term cost-benefit calculations – a concern that Thomas Jefferson sounded at the very inception of American democracy. On the other hand, the fear of losing elections is proving too weak a mechanism for tying governments to the public interest. Instead, we need radical and innovative combinations of representative democracy through elections, deliberative democracy through citizens’ assemblies, and direct democracy through referenda or preferenda over a range of options. If this model is to work, intermediary social bodies like trade unions need to play a key role in each of the legs of this tripod and to help structure new forms of empowerment open to the great range of new actors and practices that are emerging to deal with the transition challenge – from informal IOs to informal civil society (Youngs et al. 2022), and from global policy network to local digital activism.

Only with this enlarged vision of empowerment can we hope both to widen and further democracy’s sight – the widening of the horizon of political mobilisation beyond narrow personal concerns, and the furthering of the political horizon beyond the immediate exigencies of the present. In other words, we need to think about how policy can be made both democratically responsive to citizens’ immediate concerns and socially responsible for the wider and broader interests of societies beyond the interests of the politically active demos – that is, taking into account the interests of future generations, those of non-EU nations, and those of the planet.

Taking the EU as a whole, this agenda fits in with the path of sustainable integration, defined as the ‘durable ability to sustain cooperation within the Union in spite of the heterogeneity of its population and of their national political arrangements’ (Nicolaidis 2010). Arguably, the EU is constitutively endowed with a capacity to serve such an agenda as the guardian of the long term, because its decisional bodies are relatively insulated from public pressure in the short term while opening themselves up to long-term democratic design (Nicolaidis 2019). This is, perhaps somewhat paradoxically, the silver lining of the EU’s perceived democratic deficit: the EU is able to deliver democracy with foresight (hence the title of this editorial), and capable of assessing and reconciling short-term actions against long-term goals (Begg et al. 2015). If, in the wake of the Covid-19 pandemic, EU institutions have gained significantly more agency, they can all the better put such agency to work through

a systemic commitment to pursuing sustainable integration in a grand alliance with progressive actors across the continent.

Among other things, sustainable integration to serve the four transitions discussed in this special issue requires novel mechanisms of responsabilisation that enhance powerful actors’ accountability for long-term policy commitments across borders, based on the example of the trade union movement, where coordination helps foster other-regardingness and solidarity. Trade unions can also play a role in helping to enforce the new generation of social responsibility clauses introduced in international agreements, based on the example of the (draft) Directive on corporate sustainability due diligence, which obliges businesses to address the adverse impacts of their actions, including in their value chains inside and outside Europe, and where trade unions can play a crucial enforcing role (Garcia Bercero and Nicolaidis 2023).

Unions can also support novel mechanisms of democratic accountability involving citizens and organised civil society, who could call on all those elites structuring Europe’s political economy perpetually to account for the way they safeguard the broader and longer-term policy goals. If a ‘democratic panopticon’ (Nicolaidis 2021) leveraging the internet were to create an institutionalised environment of transparency (regarding the spending of funds) where the actions of decision-makers could be scrutinised at any time by any actor who wished to and was able to do so, coalitions of organised social forces would be needed to transform information into actual economic power. In the same vein, we have advanced the idea of a digital ‘Citizens’ Platform for the Rule of Law’, on which citizens record their grievances regarding the rule of law. This is a dynamic that can be facilitated by union expertise, which can, in turn, be facilitated by various actors (Azmanova and Howard 2021; Nicolaidis and Merdzanovic 2021).

We are not starting from scratch. Indeed, we can build on emerging transnational social rights and social equity measures at EU level such as the recent Adequate Minimum Wage Directive adopted in October 2022, which promotes collective bargaining on wage determination at sector and even cross-industry level. Similarly, we note the EU’s experimental unemployment reinsurance scheme introduced in 2020 (e.g. the SURE (temporary Support to mitigate Unemployment Risks in an Emergency) facility) involving state-financed income-support programmes for workers. Moreover, some EU labour rights are granted on the basis of ‘industrial citizenship’, merely on the basis of



Unions can also support novel mechanisms of democratic accountability involving citizens and organised civil society

worker status and regardless of nationality (even if one is a TCN). We see these as potential collective bulwarks against disembodied global liberalism, especially if they are granted on the basis of European citizenship and not only of national citizenship.

We put forth these embryonic suggestions to suggest a much broader agenda which the various transitions could combine to accomplish, with a special focus on the social transition. Trade unions will be key actors in this process, starting with industrial and economic democracy if they are to insist that the democratisation of corporations cannot simply happen behind an opaque curtain of privacy rules dictated by capital. Such innovative forms of democratic accountability that centre on transparency and active citizen

engagement carry a significant transformative potential. When horizontal processes of mutual accountability between citizens are at work, and when citizens demand accountability from public authority vertically, previously atomised citizens are likely to rediscover the 'power of organised power' as they become aware of the common roots of their diverse, often conflicting grievances – for example the systemic roots of systematic injustice (Azmanova 2012). The European trade union movement is uniquely well-placed to drive this process of transitioning from the particular to the systematic and systemic dimensions of the social justice agenda, thereby helping to build the powerful solidarities and alliances that we need in order to navigate the four major transitions of our time.

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1. Economic developments and policies in Europe in the shadow of the geopolitical and green transitions



Sotiria
Theodoropoulou

Topics

Introduction	33
Output growth developments	35
The return of inflation	36
The unequal impacts of rising inflation	40
Developments in aggregate demand components	42
Public finance developments	43
The ECB response to inflation	47
Conclusions	49



The most recent surge in inflation has shifted the context in which macroeconomic policies have been operating to pursue their objectives

Sotiria Theodoropoulou

Introduction

Following a robust recovery from the shock of the pandemic in output and employment, Europe is yet again facing more than one crisis: this time, energy and cost-of-living crises. Having already surged in 2021, driven by supply and some demand developments linked mostly to the pandemic, inflation shot up in all EU Member States in 2022 following the Russian invasion of Ukraine and the resulting global energy shock. Europe's significant dependence on imports of Russian fossil fuels made it particularly vulnerable to the shock. This dependence had been built on a doctrine that linked trade relations with peace, despite signs and warnings about the geopolitical threats and risks for democracy that the authoritarian Russian regime posed for Europe.

Given the still important role of fossil fuels in energy production, the war's impact on global food prices and the capacity of firms in several sectors to increase or protect their profit margins at the expense of less powerful firms and wage earners, inflation has spread to other commodities. However, wages have not followed suit, resulting in losses in the purchasing power of wage earners and triggering a cost-of-living crisis which is particularly affecting households at the lower end of income distribution, exacerbating energy poverty and ultimately creating risks of a recession.

The dramatic geopolitical developments in Ukraine have also cast China in a less favourable light as a trading partner and have reinforced the importance of resilience as an objective for the EU and its Member States, especially regarding supply chains for critical commodities. The likely national, but also company-level, responses to this consideration are expected to maintain inflationary pressures, as are climate change and the energy transition to mitigate its negative impacts, suggesting that the era of the 'great moderation' may be over.

These developments also significantly alter the parameters within which economic policies have to be conducted as well as their purpose, while important reforms, such as the reform of EU economic governance, the ECB's relatively recent monetary policy strategy, due to be reassessed by 2025, and a recently emerging new approach to industrial policy are still being debated. At the centre of this debate are the respective roles and suitability of the state and the markets in steering these transitions, when resilience is an important objective. The EU economy is expected to significantly slow down once again as a result of the energy shock (European Commission 2023). Although national governments and the EU have gone to significant lengths to mitigate both the rise and the impact of inflation on households and companies, their efforts are being pursued in the face of increasing public discontent over the higher cost of living. Larger spending plans on defence have been announced since the Russian invasion, coming on top of previous public declarations about prioritising the promotion of healthcare system resilience and increasing competition for public resources.

The pandemic response added several percentage points to public debt-to-GDP ratios in many countries without a sufficiently long interval of high growth that could have helped rebuild fiscal buffers, leaving the Member States with very uneven fiscal capacities to deal with the challenges. While Next Generation EU and the EU budget are currently providing vital funds to the Member States which need them the most to support recovery and the green transition and strengthen resilience, it is far from clear whether any talk of expanding or extending this type of fiscal facility after its expiry will gain traction.

No less importantly, central banks around the world have changed course since spring 2022, rolling back their large asset purchase programmes, sharply raising policy interest rates and issuing statements underlining their determination to pursue their price stability mandates. However, interest rate hikes are not conducive to expansionary fiscal policies:

they create vulnerabilities in financial markets for indebted governments. Their efficacy in mitigating the energy shock is questionable, to say the least, whereas their expected impact on aggregate demand and employment is likely to harm those in more precarious positions in the labour market the most, further exacerbating inequalities. Higher interest rates are also bound to hamper investment in alternative sources of energy, which for its part could, in the medium to longer run, ease the inflationary pressures from the energy shock.

This chapter looks at economic developments in greater detail to illustrate how these different

transitions play out, adding to the challenges that have been facing the EU since the global financial crisis. It focuses in particular on the pressures created by inflation and its drivers. It also examines fiscal and monetary policy responses to the energy price shock and the different transitions and explores whether these responses have been congruent. It is in this light that the recent European Commission proposals for EU economic governance reform are discussed. The final section presents the conclusions.



Real output in the EU had returned to its 2019 level by 2021, thanks not least to the economic support measures

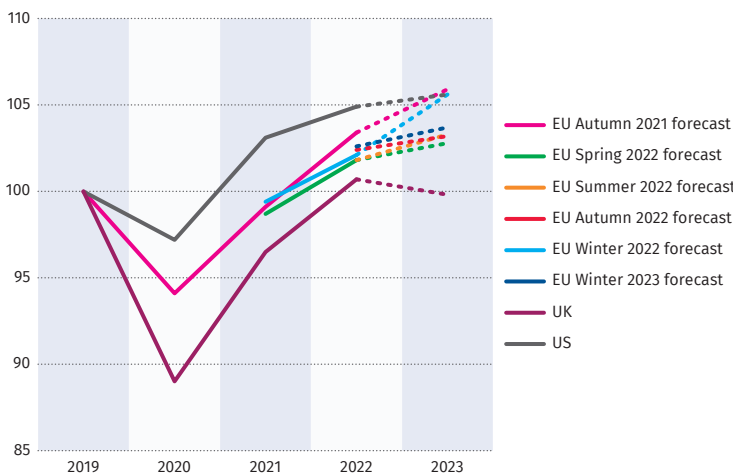
Output growth developments

Real output in the EU and the US had returned to its 2019 level by 2021, thanks not least to the economic support measures from both fiscal and monetary policies in 2020 and 2021. Real output continued growing in Europe and the US in 2022, albeit at a lower rate than both the 2021 and previously predicted rates (European Commission 2021, 2022b). According to the European Commission's winter 2023 forecasts (European Commission 2023), real GDP in the EU grew by 3.5% in 2022 and is expected to grow by 0.8% in 2023, down by 0.4 percentage points compared to the winter forecast of 2022 for the same year (European Commission 2022e). Real output growth was also forecast to slow down in the UK and the US for 2022 compared to 2021 (European Commission 2022b). A further slowdown in real output growth, in the case of the EU even compared to previous forecasts, is expected in the EU as a whole, the UK and the US for 2023, particularly pronounced in the UK, where real GDP is projected to fall slightly below its 2019 level (see Figure 1.1).

The recovery in real GDP per head growth since 2021 has varied in EU Member States, as seen in Figure 1.2. While most of the worst affected Member States in 2020 (Spain, Italy, Greece, Portugal, France and Austria) and the EU and euro area on average had not reached their pre-pandemic real GDP per head levels by 2021, only Spain's and Czechia's real GDP per head

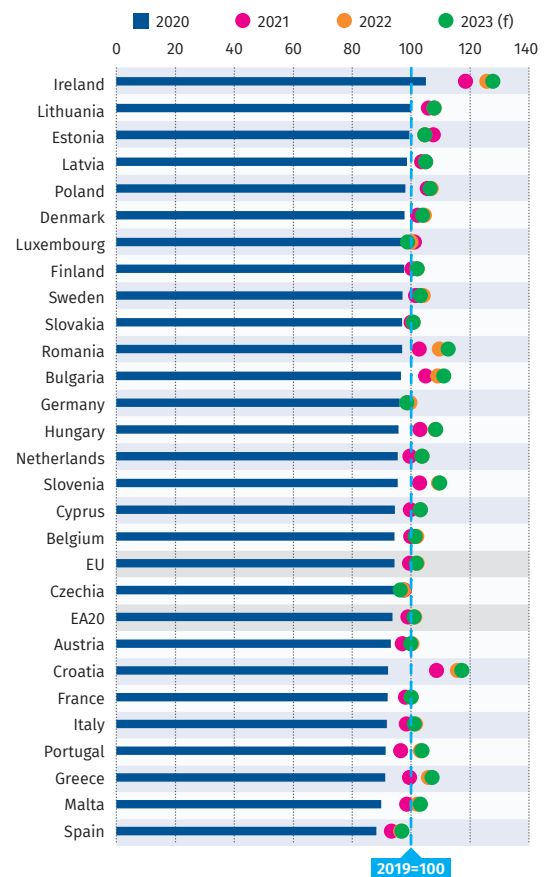
was still below their pre-pandemic level in 2022, with all other Member States and the EU and euro areas as a whole having more than fully recovered to pre-pandemic real output levels by 2022. However, real output per head growth rates are forecast to stall between 2022 and 2023 in most Member States, with a handful of exceptions (Ireland, Romania, Bulgaria, Greece and Malta), whose real GDP per head is expected to grow faster in 2023 than in 2022. The diversity of experiences and forecasts can be attributed to factors such as the relative weight of the tourism sector in an economy, the effectiveness of the economic support measures taken, the impact of disruptions in global supply chains since 2020 and the exposure of an economy to fossil fuel imports, particularly from Russia since the beginning of the war in Ukraine.

Figure 1.1 GDP (in constant prices), EU, UK, US, 2019=100, 2019-2022, 2023 (f)



Source: Own calculations using AMECO data (OVGD series) and European Commission Forecasts Autumn 2021-Winter 2023 (Autumn 2022 for the US and the UK).

Figure 1.2 GDP per head (in constant prices), 2019=100, EU27 Member States, 2020-2022, 2023 (f)



Source: Own calculations using AMECO data (RVGDP series).

The return of inflation

In 2022, inflation resurged in earnest in Europe and elsewhere in the world following decades of the ‘great moderation’ and, in particular, the past decade, when, for the large part, euro area inflation stayed well below the 2% target of the ECB. In the euro area, the Harmonized Index of Consumer Prices (HICP) slowed down to 8.5 % in January 2023 relative to January 2022, having peaked at 10.6% (on a year-on-year basis) in October 2022 (Figure 1.3). Although inflation surged more sharply in the US than in Europe in 2021, it has been slowing down there since June 2022. Energy inflation was the fastest rising component of headline inflation in 2022, standing at 25.7% in December (ECB 2022). Energy inflation has also been the largest contributor to the increase in headline inflation in the euro area since early 2021. Figure 1.4 shows how, in the course of 2022, the contribution of other

groups of commodities, such as processed food, non-energy industrial goods and services, also increased as energy price increases started spreading to them.

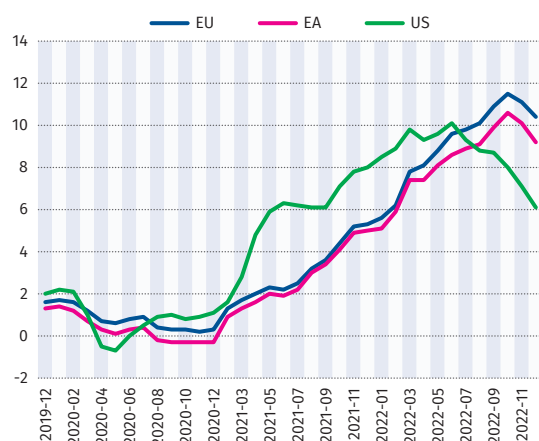
Drivers of inflation and the cost-of-living crisis

Geopolitical transition and its impact on supply chains

The sharp inflation acceleration from the beginning of 2022 was initially triggered by the war in Ukraine, the economic sanctions that the international community has been imposing on Russia and the impact that this geopolitical situation has had on fossil fuel energy and, to some extent, on food supply. Russia and Ukraine have also been major world exporters of cereals and of fertilisers, which support intensive agricultural production around the world.

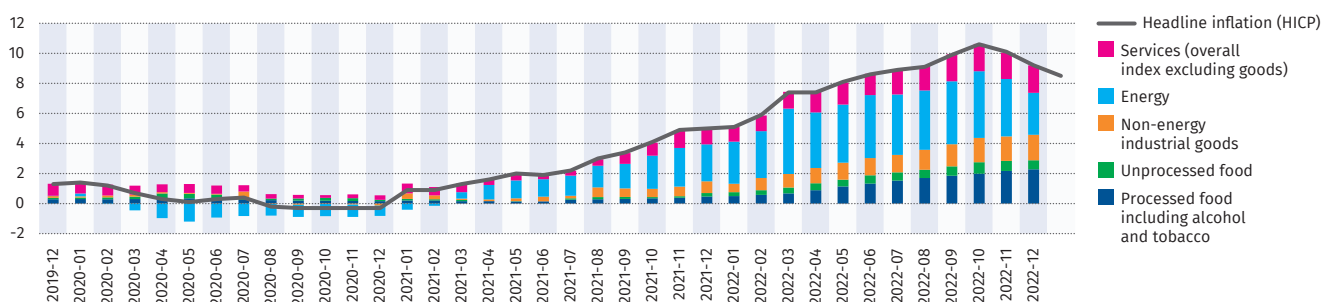
The conflict in Ukraine, however, is not the only underlying reason explaining the re-emergence of inflation. In Europe, inflation started increasing in early 2021. Major disruptions in global supply chains began during the period of Covid-19 lockdowns around the world: merchandise containers and cargo ships were stationed in different (unmatched) ports around the world, a situation that took time to resolve even as measures restricting economic activity were scaled down. Moreover, demand for some industrial goods increased, while it fell and robustly rose again for services, especially contact services, due to changes in consumption patterns, as populations were moving into and out of lockdown. These fluctuations in demand triggered changes in the planning of supply of

Figure 1.3 Inflation rate (Harmonized Index of Consumer Prices) (annualized monthly rate %), EU, EA and the US, 2019M12-2022M12



Source: Eurostat data (PCR_HICP_MANR series).

Figure 1.4 Contributions (in percentage points) to headline inflation (HICP) (% , year-on-year) of Euro area of various groups of inflation components 2019M12-2022-M12



Source: Eurostat (PRC_HICP_CRTB and PRC_HICP_MANR series).



Climate change and actions to mitigate it also have inflationary effects

manufactured goods, in particular intermediate goods, which, combined with the aforementioned disruption in logistics, eventually resulted in supply shortages in important commodities, such as semi-conductors, and led to price increases.

These difficulties, together with shortages of critical health material during the early days of the pandemic and the energy shock from the war in Ukraine, brought into sharp relief the downsides of just-in-time production management practices, which had prevailed as a means of reducing production and supply costs, and raised questions about how to strengthen the resilience of supply chains for critical commodities, by, among other things, reshoring their production or shifting it to partners that were more reliable and compatible with Europe's liberal democratic values. The process of rewiring supply chains to increase their resilience will take time and will also lead to persistently higher supply costs that will, in turn, exert pressure on the prices of commodities.

The return to greater normality in economic life following the periods of public health measures against Covid-19 in large parts of the world also led to higher global demand for energy in the second half of 2021, which, together with a longer than usual heating period in winter 2020-21, resulted in lower gas supply to and stocks in Europe. Adverse weather conditions also led to lower energy supply from renewable sources. Together with a higher carbon price under the EU's Emissions Trading System, these developments resulted in elevated wholesale energy prices as early as the autumn of 2021.

Climate change, the green transition and inflation

Climate change and actions to mitigate it also have inflationary effects. Extreme weather events, especially droughts, can cause significant damage to crops, affecting the harvest and reducing the supply of food. Water shortages can lead to a fall in river levels and impede the transport of commodities and of materials (e.g. coal) that might relieve dependence on Russian fossil fuels. Higher carbon prices (to discourage its use) and insufficient investment in renewable energy are also likely to push up energy prices.

Firstly, therefore, extreme weather events (such as heavy rainfall or heatwaves) and the concomitant natural disasters (for example, floods, droughts or wildfires) that occur as a result of climate change that has already taken place may destroy harvests or agricultural land. This would lead to lower supply for some

foodstuffs which, given demand, would result in higher inflation for these commodities, contributing to what is known as 'climateflation' (Schnabel 2022).

A recent study carried out by ECB researchers looked more specifically at the effects of extremely high temperatures on inflation (Faccia et al. 2021), finding that 'climateflation' has a non-negligible impact on inflation even in the medium term, which is the time horizon (usually 1-5 years) over which central banks consider developments in inflation when deciding whether and how to adjust their monetary policy, especially in emerging (poorer) economies, although less so in advanced ones. Possible reasons for this difference between emerging and advanced economies are that, relatively speaking, food is a more important commodity in the 'basket of goods' used to calculate inflation in the emerging economies, and their resilience to natural hazards is lower. We therefore see that extremely high temperatures have an unequal impact on 'climateflation' (with all that it brings) between emerging and advanced economies. The ECB, however, has warned that the increased frequency of extremely high temperature episodes may start creating 'climateflation' even in advanced economies.

Secondly, the price of fossil fuels has been rising (which can be called 'fossilflation'), but for different reasons (Schnabel 2022). Despite grand declarations to the contrary, fossil fuels and natural gas still accounted for 85% of total energy use in the euro area in 2019, and 'fossilflation' therefore has a high impact on general (headline) inflation. There have been a number of reasons for 'fossilflation', from carbon pricing policies, aiming at reducing their consumption to mitigate climate change, to the rolling back of investment in extracting fossil fuels, which reduces their supply even though demand remains high. Finally, the fact that there can be only a few suppliers of fossil fuels, resulting in an 'oligopolistic' market, means that these companies can choose to increase the prices of fossil fuels and their profit margins by reducing supply.

Thirdly, the development of new green technologies (for example, wind-generated power) and products (such as electric cars) that would help curb carbon emissions and reliance on fossil fuels requires materials, such as minerals and metals, the supply of which (through mining) is unlikely to grow in line with the increase in demand for them in the next decade or so as countries around the world strive to meet their commitments to curbing carbon emissions. The limited supply of these

materials compared to the demand for them will lead to ‘greenflation’ (Schnabel 2022).

The above types of inflation and their sources suggest two insights. The fact that Europe has not yet weaned itself off its dependence on fossil fuels will cost it in terms of higher ‘climateflation’ and ‘fossilflation’. Speeding up that process of decarbonisation, on the other hand, by means of advancing innovative green technologies is likely to fuel ‘greenflation’ and, while it would curb ‘fossilflation’, we are nevertheless bound to live with extreme weather phenomena and the ‘climateflation’ they cause for decades to come. ‘Fossilflation’ and ‘greenflation’ suggest that, unless policy interventions are in place, households with lower incomes are likely to be stuck with energy supplied by fossil fuels, which will become ever more expensive, while more sustainable forms of energy may also remain unaffordable for them. This would perpetuate inequalities and energy poverty.

The above suggests that, although the war in Ukraine has dominated the headlines as the most potent shock recently driving inflation, a wider set of ongoing transitions is likely to continue triggering inflationary pressures.

The cost-of-living crisis

While the aforementioned developments have been and will be creating pressures for higher prices during these transitions, inflation has also been fuelled by the pricing behaviour of firms with significant market power in their sectors. For high and rising (as opposed to stable) inflation to emerge, there has to be an unresolved ‘conflict’ between and among workers and firms over the distribution of output, in an economy where firms have some power to set prices and workers have some power to set wages, for example, through collective bargaining (Rowthorn 1977). Wage- and price-setting reflect the claims that each group of workers or firms makes over the distribution of output, and, for inflation to spiral, price and/or wage setters must have been trying to gain a higher share of output at the expense

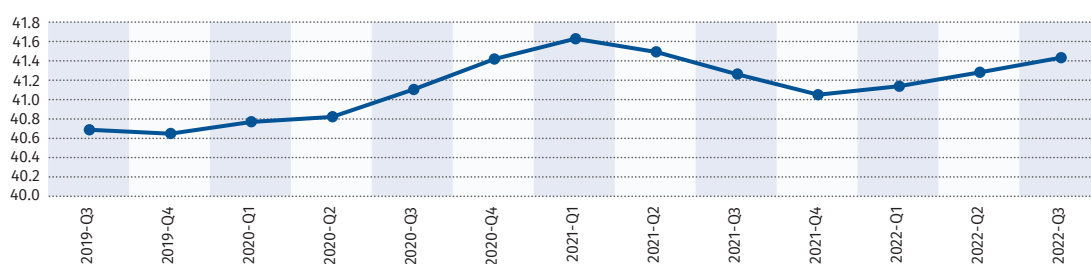
of other groups (e.g. firms in one sector raising their prices to make output gains at the expense of firms in other sectors and wage earners, other firms and/or wage earners responding with their own increases, and so on).

In open economies, where firms use imported inputs for production (such as natural gas and oil or semiconductors), part of the output produced domestically has to be paid to the foreign suppliers of those inputs. This then becomes a three-way contest over the distribution of the output ‘pie’ among domestic firms, workers and foreign suppliers. Rising costs of imported production inputs effectively shrink the pie that domestic wage and price setters have to share, which, unless there is a collectively negotiated process as to how output gains (and losses) should be distributed, intensifies the distributional conflict (cf. Matsaganis and Theodoropoulou 2022).

What seems to have turned this energy shock into a cost-of-living crisis has been the fact that, so far, it appears that only firms with significant market power have managed to expand their mark-ups and profit margins in order to make up for the impact of the energy supply shock, thus ‘broadening’ inflation from a couple of commodities (energy and food) to others at the expense of wage earners, whose purchasing power has diminished, as wages have generally not kept up with inflation. A recent analysis by the ECB corroborates this point (Lagarde 2022), as does the relative stability in profit share (see Figure 1.5).

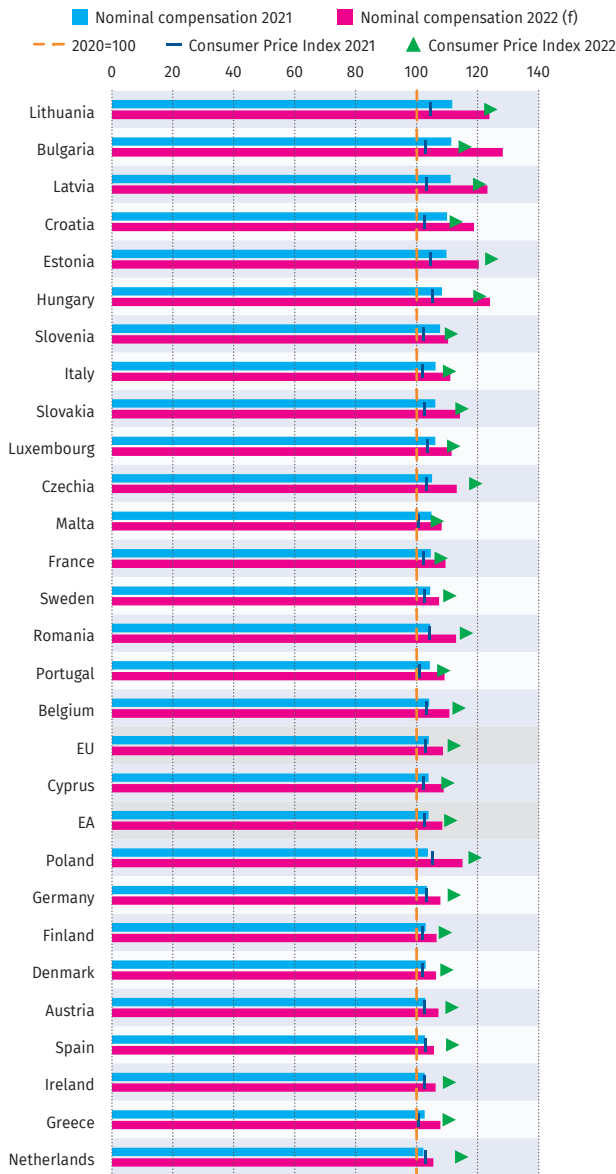
As Figure 1.6 shows, nominal compensation per employee grew at rates close to inflation (consumer price index) in 2021, when inflationary pressures first emerged. For 2022, however, it is expected that, in all but a few EU Member States, nominal compensation per employee will not have kept up with the acceleration of inflation, pointing to a loss of purchasing power for wage-earners, which central banks have been warning against. What is more, Figure 1.7 shows that the wage share will have been declining

Figure 1.5 Profit share EU27 (% of GDP)



Source: own calculations using Eurostat data (NAMQ_10_GDP series, seasonally adjusted data).

Figure 1.6 **Nominal compensation per employee vs. inflation (Consumer Price Index) (2020=100), EU Member States**

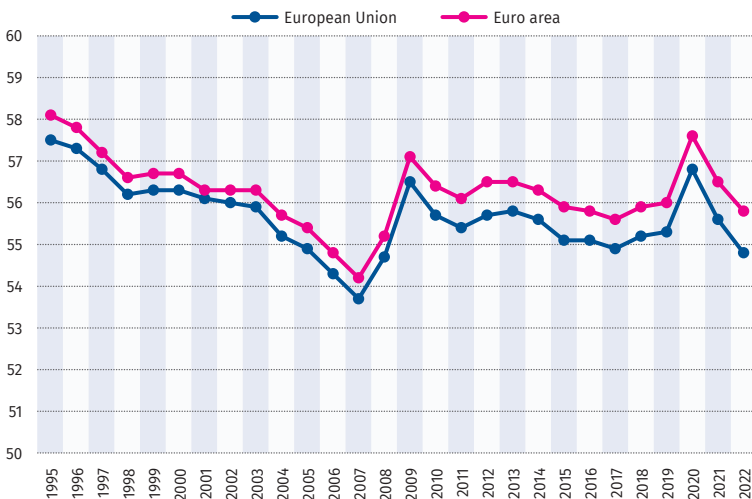


Source: own calculations using AMECO data (ZCPIH and HWCWD series).

for the period 2020-2022, suggesting that the compensation of employees will not even have kept up with labour productivity growth.

These developments have been even more remarkable as they have been taking place against the background of labour shortages in various sectors, reflecting a variety of factors from shifts in sectoral demand to inadequate working conditions at least in some sectors (see chapter 2). Labour shortages run the risk of fuelling inflationary pressures as they add to the supply-side constraints related to the aforementioned transitions. However, their likely causes (inadequate working conditions, including low pay, and any skills mismatches) would imply that policies aiming at lowering inflation by engineering a recession, such as the monetary policies which major central banks currently pursue, are unlikely to help resolve these shortages in a socially benign way: rather than helping to expand supply in sectors that are necessary for pursuing the green, digital and geopolitical transitions, these policies would instead steer demand to match lower supply, resulting in lower income and, very likely, higher inequalities.

Figure 1.7 **Adjusted wage share (%), EU and euro area, 1995-2022**



Source: AMECO (ALCD0 series).



The unequal impact of energy inflation has manifested itself not only among but also within Member States

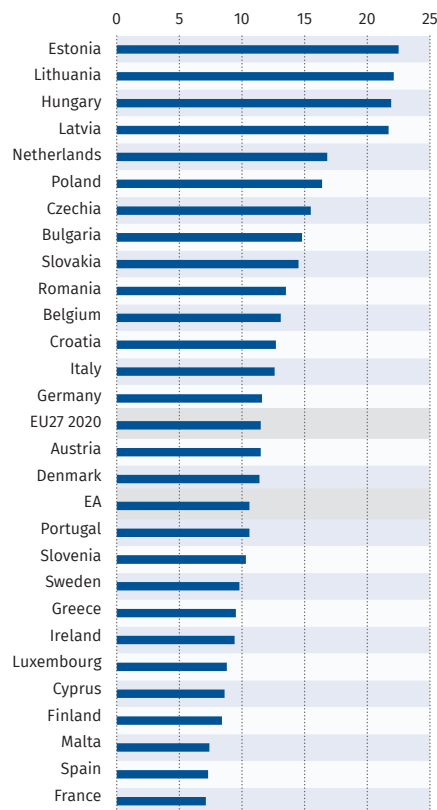
The unequal impacts of rising inflation

There has been a wide disparity in headline inflation in the euro area (and the EU average(s) across Member States (see Figure 1.8), reflecting different degrees of dependence on imported sources of energy, different energy market structures and different responses to inflation pressures. In October 2022, the three Baltic states and Hungary registered by far the highest inflation rates, between 21 and 22%, almost three times those of the three Member

States with the lowest inflation, namely France, Spain and Malta, where inflation hovered at just over 7%, and a little over twice the inflation of the euro area and the EU. Apart from the very unequal impact that inflation has been having in these economies, such wide disparities also raise concerns about the governability of the euro area, as the European Central Bank sets its monetary policy interest rates for the entire area. Such disparities imply that these interest rates are bound to have very different, if not inappropriate (in other words destabilising), effects on some of the euro area economies. This is because the (single) policy rate of the ECB results in very different real interest rates in Member States with different inflation rates. It is real interest rates that have an impact on investment decisions and, in turn, the real economy and employment.

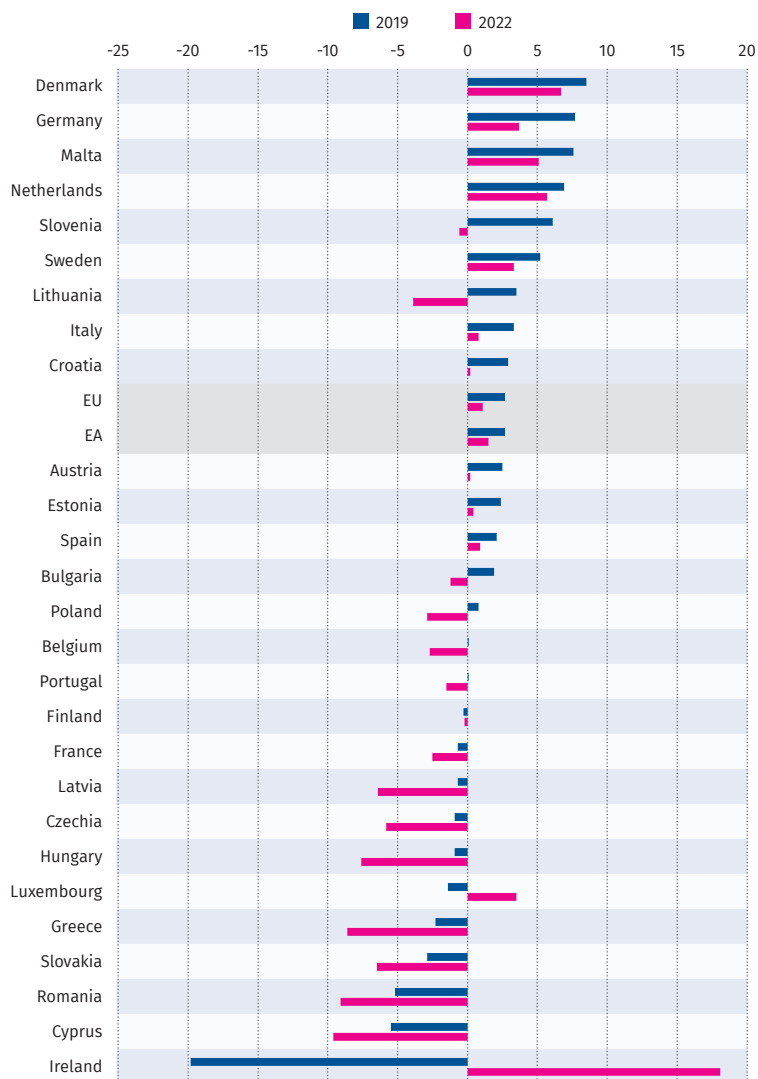
The unequal impact of energy inflation, however, has manifested itself not only among but also within Member States. Rising inflation is generally known to be regressive: it erodes the purchasing power of nominal (i.e. money) incomes, that is, the type of incomes that households at the lower end of the income distribution rely upon the most (wages, benefits, etc.), as they are less likely to have other assets. Moreover, in this particular case of inflation, low-income households spend a greater share of their budget on energy and food, the prices of which have increased faster than other items (Claeys et al. 2022).

Figure 1.8 Inflation rate (Harmonized Index of Consumer Prices, %, year-on-year), EU Member States, 2022M10



Source: Eurostat (PRC_HICP_MANR series).

Figure 1.9 Current account balances (% of GDP), EU Member States, 2019, 2022



Source: AMECO (UBCA data series).

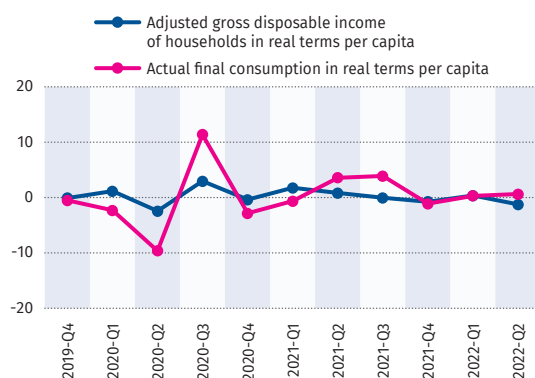
Furthermore, as seen in Figure 1.9, wide current account imbalances in different Member States, especially within the euro area, have re-emerged. While Member States with long-standing high current account surpluses, most notably Germany and the Netherlands, have seen them shrinking, large current account deficits have (re-)emerged in other Member States, such as Latvia, Czechia, Hungary, Greece, Slovakia, Romania and Cyprus. Current account deficits imply heightened vulnerability to developments in international financial markets, as countries that present these deficits effectively buy from the rest of the world more (goods and/or services) than they sell, and, therefore, in order to finance them, they need to borrow the equivalent of the deficit on the international financial markets. If the 'market sentiment' changes and financial actors start selling assets on a massive scale, as often happens when interest rates rise, countries with current account deficits run the risk of having to undergo painful adjustments in their real economies (e.g. fiscal austerity), because they can no longer borrow to finance them. These imbalances also signal persisting asymmetries in the institutional capacity of different Member States in dealing with inflationary pressures, which further adds to the inefficacy of the ECB's monetary policy to stabilise the euro area economies (demand and inflation).

Developments in aggregate demand components

Real private consumption

Unchecked high and rising inflation has deleterious effects on the economy. Its suppression of real money incomes, apart from the fact that it exacerbates income inequalities, also reduces disposable income and private consumption (see Figure 1.10). Private consumption is the largest component of aggregate demand, and therefore any fall is likely to result in a slowdown or even recession, job losses and higher unemployment (see also Chapter 2). Of course, lowering consumption is a way of reducing greenhouse emissions and ultimately mitigating climate change. Under current circumstances, however, the burden is falling more on those with the lowest carbon footprint, relying on money incomes at the low end of income distribution, rather than on those on higher incomes, who have a much higher carbon footprint.

Figure 1.10 **Adjusted gross real disposable income of households and actual real final consumption per capita (% change quarter-on-quarter), EU, 2020Q1-2022Q2**



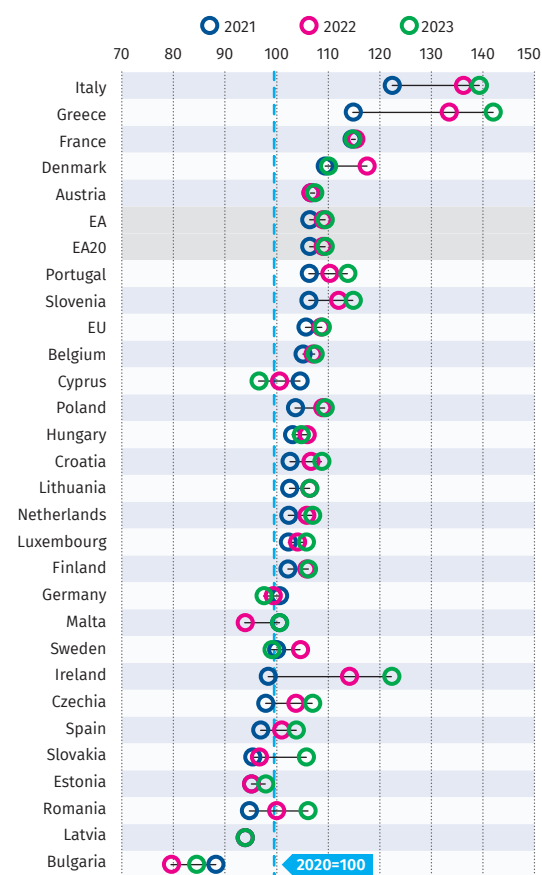
Source: Own calculations using Eurostat data (NASQ_10_KI series).

Real investment

Real investment (gross fixed capital formation in constant prices) grew in most, but not all, countries in 2021 from its 2020 levels (with the exceptions of Ireland, Czechia, Spain, Slovakia, Estonia, Romania and Bulgaria). However, in many countries, real investment grew very little

from 2021 to 2022, and it is forecast to grow only slightly, if not to decrease, between 2022 and 2023. This slowdown in 2022 and 2023 is most likely the consequence of rising interest rates and of the uncertainty that high inflation and its geopolitical causes entail. There have been exceptions to this stagnating picture, most notably Italy and Greece, where investment growth took off in 2022, as Recovery and Resilience Facility (RRF) funds began to flow to the two countries that are among the highest beneficiaries of the Facility, with Greece having the highest ratio of RRF funds to GDP and Italy the highest per capita amount of RRF funds. Both countries, however, experienced several years in a row of negative net investment, that is, of falling capital stock, in the 2010s.

Figure 1.11 **Gross fixed capital formation (constant prices) 2020=100, 2021-2023 (f), EU Member States**



Source: Own calculations using AMECO data (OIGKO series).

Public finance developments

Following two years of expansion, the fiscal policy stance in the EU and the euro area turned neutral (that is, neither tightening nor expanding), as the exceptional support measures started to be scaled down (Figure 1.12).

Government deficits started shrinking after 2021 (Figure 1.13). Nevertheless, almost half the Member States still had deficits greater than 3% in 2022, which, however, did not result in excessive deficit procedures being activated, as the general escape clause of the Stability and Growth Pact (SGP) was still in effect.

Faced with skyrocketing energy prices, EU Member States, supported and often coordinated by the European Commission, began taking measures to alleviate the pressure on households and companies. According to Bruegel data (Sgaravatti et al. 2022), between September 2021 and November 2022, EU governments had either allocated or earmarked 600 billion euros to alleviate the impact of higher energy prices on consumers, of which 264 billion euros was earmarked by Germany alone. Measures took various forms, from reductions in energy tax/VAT and retail price regulation, to transfers to vulnerable groups and retail price subsidies. Support for businesses was also on the menu, as was taxing windfall profits of energy companies. Figure 1.14 below summarises the estimated public funds allocated to these measures in the EU Member States.

One of the positive but unintended consequences of rising inflation is that it tends to reduce the public debt-to-GDP ratio, as it increases nominal GDP. Figure 1.15 shows that the gross public debt-to-GDP ratio either fell or remained

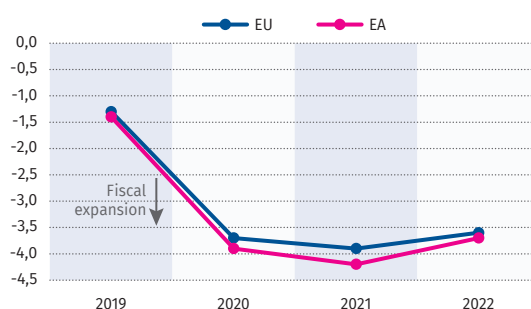
stable in 2022 compared to 2020 and 2021 in all EU Member States, despite the fact that many national governments chose once more to deploy fiscal measures to mitigate the impact of inflation on households and companies. Nevertheless, about half of the Member States have seen their public debt rise above the 60% of GDP limit stipulated by the Treaty, and six of them above 100%.

Given these high ratios, the benign effects of unexpected inflation on public debt should be balanced against the risk to financial market stability that rising interest rates (to fight inflation) create and the rolling back of asset purchase programmes of central banks, both of which effectively increase the cost of borrowing, including for governments. As history has shown, when governments face difficulties in borrowing on the financial markets at affordable interest rates, this can trigger financial crises, the detrimental effects of which reach the real economy and the livelihoods of ordinary people, causing lasting damage.



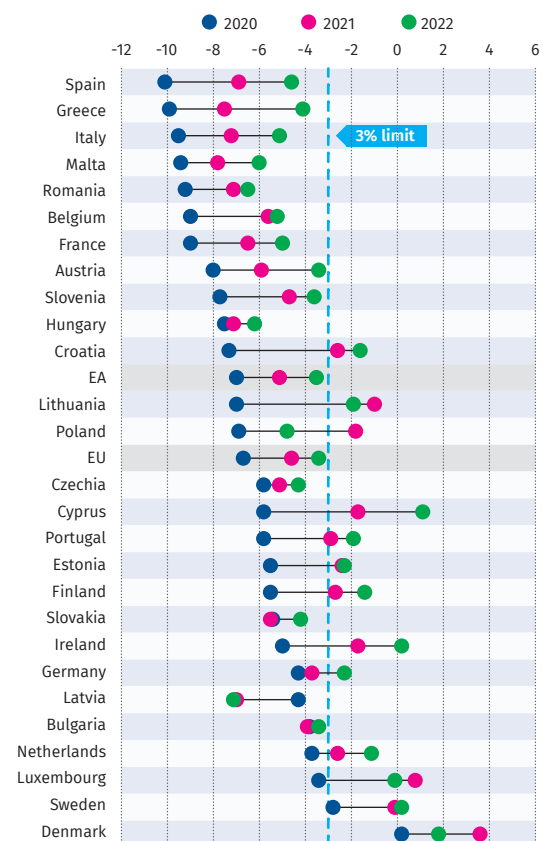
Faced with skyrocketing energy prices, EU Member States began taking measures to alleviate the pressure on households and companies

Figure 1.12 Fiscal policy stance (% of potential GDP), EU and euro area, 2019-2022



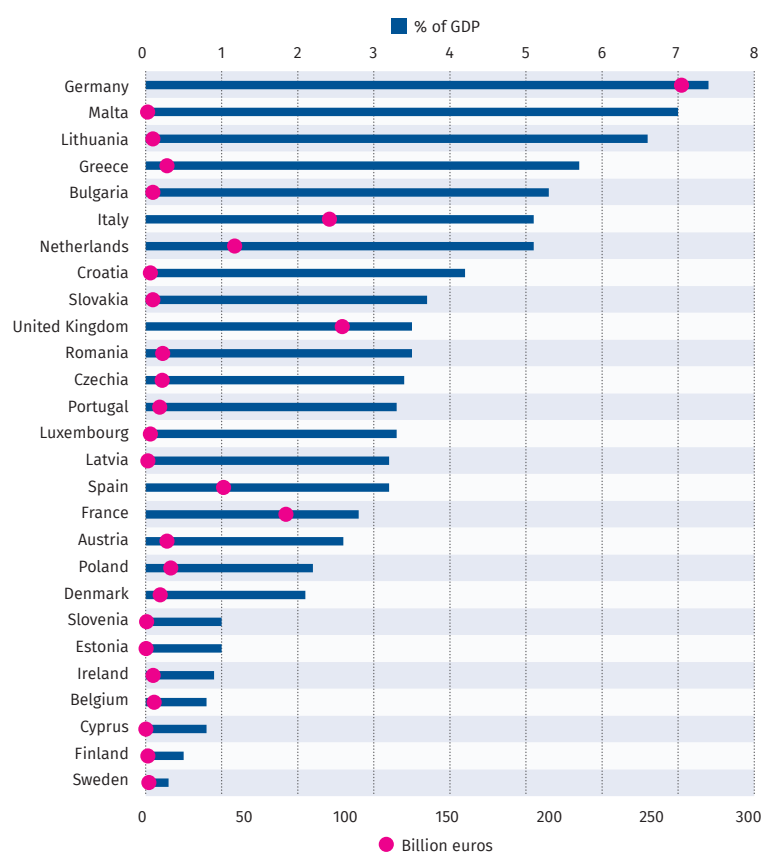
Source: AMECO (UBLGAP series).

Figure 1.13 Government budget deficit (% of GDP), EU Member States, 2020-2022



Source: AMECO (UBLG series).

Figure 1.14 Governments' funding (both allocated and earmarked) for mitigating the impact of high energy prices on households and firms (% of GDP and billion euros), EU Member States, September 2021–November 2022



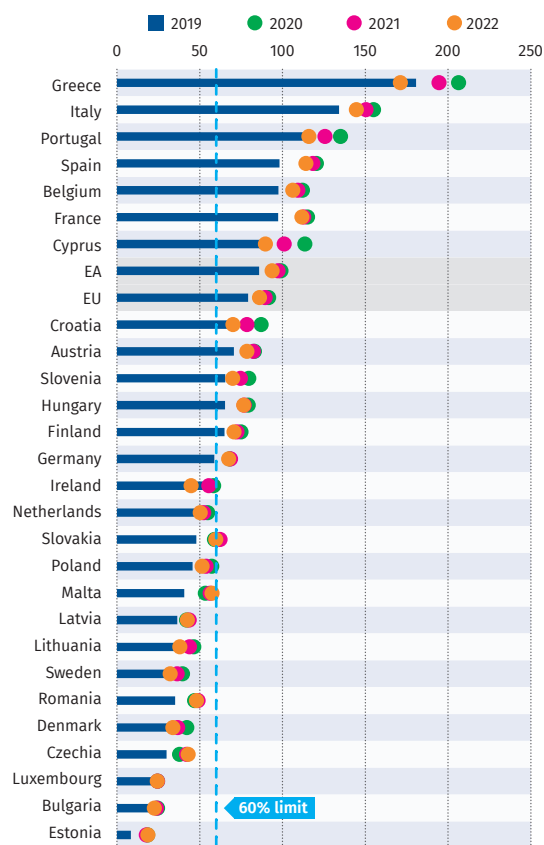
Source: Sgaravatti, Tagliapietra and Zachmann (2021).

On the other hand, the activism of central banks, including the ECB, in stabilising financial markets through their asset purchasing programmes since the global financial crisis raises the question of how central banks would react if government bond spreads became critically high. Taking action to maintain financial stability was more aligned with pursuing price stability mandates while inflation was subdued, as in the euro area during the 2010s.

The EU economic governance reform proposals

On 9 November 2022, the European Commission published a long-awaited Communication outlining its proposals on how to reform the EU economic governance framework (European Commission 2022a). The Communication takes further a process of assessment and public consultation which began in February 2020, but which had to be put on hold twice due to critical events: first, due to the Covid-19 pandemic in March 2020, and second, last year due to the war and the energy crisis that followed Russia's invasion of Ukraine. The debate on how to

Figure 1.15 Public debt as a share of GDP (%), EU Member States, 2019–2022 (f)



Source: AMECO (UDGG series).

reform the EU framework of economic policy coordination and surveillance in response to the global financial crisis and the euro area sovereign debt crisis has been evolving in parallel with the debate on whether and, if so, when and in what form a common fiscal capacity should be established in the euro area and possibly the EU (cf. Juncker et al. 2015).

Initially, the emphasis was on the capacity of Member States to stabilise their economies and preserve public investment and their production capacity in the face of shocks, especially long-lasting ones. The recovery from these crises also showed that fiscal policies which aim too hard to reduce budget deficits when output growth is low are ultimately detrimental to reducing public debt to sustainable levels, highlighting the fact that the fiscal rules as applied had, at least in some cases, been undermining the objective they had set out to achieve. During the same period, the question of whether fiscal policies should be given leeway to play a more important role in stabilising economies had also resurfaced, as policy interest rates, the main conventional tool of monetary policy, had fallen to zero in most advanced economies, restraining

the capacity of monetary policy to steer demand and stabilise the economy.

The launch of the European Green Deal in late 2019 (European Commission 2019), the EU growth strategy which followed that of Europe 2020, spelled out the vast magnitude of the investment flows required to meet its pledge of making Europe the first carbon-neutral continent by 2050 without leaving anyone behind, and set out the challenges facing European governments in financing both the green and digital transitions. The Covid-19 pandemic only magnified these challenges, as Member States had to deploy public funds unprecedented in the post-war era to support economies and healthcare systems during the emergency and recovery. During the pandemic, the EU and Member States generally rose to the occasion, thanks to the activation of the general escape clause of the Stability and Growth Pact and the mobilisation of instruments such as SURE and the NGEU, which have been financed by common EU debt. What the response to the pandemic also illustrated was that differences in ‘fiscal space’ among Member States can hinder effective responses and lead to negative spill overs across the EU, providing a strong case for fiscal capacity at EU level to deal with shared challenges.



Ultimately, it is not clear whether these proposals will allow for the public investment necessary to deal with the challenges lying ahead

The European Commission proposals for reforming EU economic governance consist of several building blocks. First, they suggest the adoption of a single observable indicator to guide governments and the European Commission in shaping and monitoring national fiscal policies that are compatible with public debt sustainability, namely nationally financed net primary public expenditure. This expenditure is nationally financed (i.e. excluding any EU funds), net of discretionary revenue measures (i.e. ad hoc taxes or one-off revenues), and excludes interest payments (over which governments have no control) and cyclical unemployment expenditure. The latter should increase the capacity of national fiscal policies to respond to the fluctuations of the business cycle by expanding when the economy slows down (and unemployment rises) and tightening when the economy grows fast (and unemployment falls). The 3% limit for budget deficits would also remain as a constraint.

Secondly, the Commission proposes using its debt sustainability analysis framework in order to determine the evolution of nationally financed net primary public expenditure over at least four years, which would be compatible with a sustainable evolution (path) of public debt-to-GDP ratio, which will still have to seek to abide by the 60% limit stipulated in the Treaty. The

requirements for adjustment, mostly in terms of time horizon, will vary depending on a Member State’s public debt-to-GDP ratio. This framework would make it possible to take into account risks and vulnerabilities and also investment and reform needs specific to each Member State, thus providing more flexibility and a more tailor-made approach (which, however, would be governed by the same principles for all Member States) than the currently applying rule, which dictates that Member States with a public debt-to-GDP ratio of over 60% should shape their fiscal stance so as to achieve a reduction of at least 1/20th per annum in the difference between the actual and the Treaty-mandated ratio (60%). Escape clauses for exceptional circumstances will also be provided for. The Commission argues that this gain in flexibility will have to be balanced with stronger ex post enforcement that remains to be defined, but which could include the effective use of financial sanctions, macroeconomic conditionality for structural and RRF funds, and enhanced reputational sanctions, with the Ministers of Finance of Member States having to undergo an excessive deficit procedure (if they violate the parameters of the agreed medium-term plan), being obliged to present their corrective measures to the European Parliament.

Thirdly, while the European Commission will propose a pathway for the evolution of public expenditure, it will be up to each Member State to present a medium-term fiscal and structural plan describing the fiscal, reform and investment commitments to set (or maintain) their public debt on a sustainable path by the end of the programme. These plans would translate the proposed path into annual budgets, while the proposed investments and reforms would need to be coordinated with the country-specific recommendations as well as the national energy and climate plans, the recovery and resilience plans and national Digital Decade roadmaps. Member States could also request that their fiscal plan (the minimum duration of which should be four years) could be extended by up to three years if they propose a series of investments and reforms which would lead to sustainable growth and thereby enhance debt sustainability. The draft fiscal plans would be subject to intense technical consultation between the Member State administration and Commission services before they are assessed and eventually approved by the Council.

Fourthly, the Macroeconomic Imbalances Procedure (MIP) would be subject to an enhanced dialogue between the European Commission and the national governments to

increase ownership and commitment and would be reformed to become more forward-looking and improve the capacity to prevent imbalances by focusing more on flow rather than stock variables in the related scoreboard.

These proposals will have to be debated and very likely revised before an agreement on the reform is reached in the Council. On the positive side, they take steps to address several of the diagnosed problems of the current fiscal surveillance framework, namely the fact that the current rules can lead to pro-cyclical fiscal policies¹ in the Member States, the insufficient differentiation (and therefore the inadequacy) of adjustment paths across Member States, the vulnerability of public investment to fiscal consolidation paths, the opaqueness of the rules and the lack of opportunity to develop ownership. It is also positive that greater coherence is sought between the MIP and the SGP and other policy challenges. These changes, if upheld, would grant Member States more leeway to use their fiscal policies and preserve public investment than they had before.

On the other hand, it is not clear how this framework would coordinate national fiscal policies to achieve an adequate aggregate fiscal stance for the euro area or why the MIP would become more effective in treating current account imbalances more symmetrically. Moreover, the proposal is vague on the criteria under which the proposed investments and reforms will be positively assessed to permit Member States a longer adjustment period. It is also not very clear how the assumptions that would be used for the debt sustainability analysis will avoid political assessments made without any democratic control.

Ultimately, however, it is also not clear whether they will allow for the amount of public investment necessary to deal with the challenges lying ahead (supporting the green transition, developing strategic autonomy and tackling inequalities). The emphasis often placed on 'improving the quality of public finances', that is, tilting spending towards public investment as opposed to public consumption (in other words, recurrent expenses such as benefits and salaries for the provision of public services), while sounding as though it offers possibilities, is also subject to limitations. Public investment can, in principle, create potential for growth which could help pay for the additional public spending to finance it, and, in this way, it makes financial sense. However, the green and digital transitions cannot come about as a result of investing in enabling citizens to participate in them by helping them acquire different and better skills *alone*. Some buffering against the consequences of these transitions is also necessary, through income support and/or the provision of quality public services (cf. Sabato and Theodoropoulou 2022).

Moreover, given that certain shortcomings remain, making it likely that there will be continued suboptimal stabilisation of national economies, it is still probable that there will simply not be sufficient, or sufficiently even, fiscal space across Member States to stimulate public investment in the different transitions. The solution to that, given that the perils of failing to navigate these transitions successfully are not likely to be limited to one Member State, should be the issuing of common EU public debt, that is to say the extension or establishment of further new fiscal capacity instruments, such as Next Generation EU.

1. Involving excessively restrictive fiscal policies when output is growing slowly and excessively loose policies when output is growing fast.

The ECB response to inflation



Conventional monetary policy is likely to be less effective and to cause considerable collateral damage in terms of growth, jobs, incomes and financial stability

Faced with inflation well above their target, central banks around the world have begun reversing the lax policies they had pursued over the previous decade: asset purchases have been rolled back and increases in interest rates have been implemented, often in large steps, in the hope that higher interest rates will take the steam out of inflation pressures. Following a period of cautiousness and gradual rolling back of asset purchase programmes, the Governing Council of the ECB increased all three of its policy interest rates by 25 basis points in July 2022 for the first time since July 2011. The ECB followed up with 75 basis point increases in September and November 2022, while it slowed down the rate of increase to only 50 basis points in December 2022, when there were signs that the inflation rate was slowing down. Thus, the interest rate on the deposit facility currently stands at 2% (up from -0.50% in July), the main refinancing operations rate, through which the ECB provides liquidity to banks in normal times, stands at 2.50% (up from 0% in July), and the interest rate for the marginal lending facility, through which banks can borrow liquidity overnight through the Eurosystem, stands at 2.75% (up from 0.25% last July).

The policy reversal runs the risk of stifling the recovery from the pandemic without really addressing the roots of rising inflation, which in Europe are located on the supply side, as higher energy prices increase the costs of production. Moreover, the monetary policy reversal creates financial stability risks, especially for governments which saw their public debt-to-GDP ratios rising as a consequence of the unprecedented public financial support programmes rolled out during the pandemic, and which are currently constrained in providing financial support to mitigate the impact of inflation and speed up the transition to alternative, greener sources of energy.

Raising interest rates is a blunt instrument (it affects aggregate demand rather than addressing the causes of rising prices) and it is slow (it takes time for interest rates to work their way through the economy). Moreover, there is scant evidence that price-wage spirals are a real risk in Europe (Alvarez et al. 2022). As mentioned earlier, nominal compensation per employee has been lagging behind the consumer price

index. By engineering a recession, monetary policy is bound to cause higher unemployment than would otherwise have been the case, harming those in more precarious labour market situations and ultimately exacerbating inequality. Therefore, in terms of income, wage earners as a whole, including those without a job, stand to lose out.

Furthermore, many economists would argue that raising interest rates is not a solution to the problems currently fuelling inflation, which in Europe are firmly situated on the supply side of the economy: the war in Ukraine and the sanctions against Russia have raised the cost of energy; extreme weather conditions have pushed up food prices (and the cost of waterway transport of coal); and disruptions in global supply chains have affected commodity prices. Mitigating climate change and facilitating the energy transition will require substantial investments on the part of governments, businesses and households. In view of the current US Inflation Reduction Act and the incentives it creates for companies to locate their activities in the US, reshoring economic activities to achieve strategic autonomy is likely to be costly. These tasks are already daunting enough; higher interest rates are bound to make them more daunting still, both by raising the cost of the necessary investments, and by limiting the scope for compensating the losers in the energy transition.

The ECB approach is even more puzzling, given that, as part of its recent monetary policy strategy review, it has committed to take practical steps to support policies for climate change mitigation. For example, among other measures, in autumn 2022, it announced the details of a system it would put in place to reduce the Eurosystem's exposure to climate-related financial risk, following the Governing Council's July 2022 decision to tilt the Eurosystem's corporate bond purchases towards issuers with a better climate performance.

In addition, interest rate hikes also pose substantial risks to financial stability, especially after the accumulation of debt during the Covid-19 pandemic, as, when interest rates rise, the price of financial assets falls. This could cause problems in the balance sheets

of households, companies, governments and also financial institutions, which, given their neuralgic role in capitalist economies, would then need to be bailed out, adding further pressures on public budgets. The fact that central banks have been tightening their policies in an uncoordinated manner compounds the problem. In the euro area, debt servicing costs are set to rise asymmetrically, reducing the fiscal space available to governments, especially in the highly indebted countries which were worst affected by the euro crisis and the pandemic, such as Italy and Greece.

In view of all this, conventional monetary policy is likely to be less effective and to cause considerable collateral damage in terms of growth, jobs, incomes and financial stability, making it harder to justify its implementation.

More broadly, granting central banks independence and delegating to them monetary policy decisions to maintain price stability was a defensible, albeit far from distributionally neutral (as the economic orthodoxy of the time claimed), option in the economic and political conditions of the 1970s and 1980s. Now that anti-systemic parties are on the rise across Europe, national economies have not fully recovered from the effects of the pandemic (and of the Great Recession), price rises are mostly driven by energy and food imports, and our efforts to address climate change require massive investment, the option of allowing central banks to pursue their single-minded objective of bringing inflation down to 2% and governments to subordinate fiscal policy to that end may simply prove too costly (Matsaganis and Theodoropoulou 2022).



The transitions, green, digital, geopolitical and social, that Europe has to navigate are intertwined and generate challenges for macro-economic policies

Conclusions

This chapter has provided an overview of how the transitions, green and digital, geopolitical and social, that Europe currently has to navigate are intertwined and generate challenges for macroeconomic policies, most notably the surge in inflation rate and the cost of living crisis, to the extent that these policies are crucial for financing these transitions and for creating favourable conditions for them by stabilising economies and promoting job creation.

Economic policies in Europe are also currently in a state of flux: a long-debated and much awaited reform of the framework of economic policy coordination and surveillance is currently under way. Moreover, in December, the President of the European Commission announced that she intended to push the governments of the EU Member States for the establishment of the 'European Sovereignty Fund', in order to finance the twin (green and digital) transition for which the European Commission has been putting forward industrial policy frameworks. This announcement is linked to concerns about the impact of the US Inflation Reduction Act and the financial incentives it offers in relation to global firms' location decisions. This announcement illustrates the fact that the common challenges facing the EU require a further pooling of financial resources among the Member States. On the other hand, the ECB introduced a new monetary policy strategy in 2021, adopting, among other initiatives, more explicit objectives to support the EU's climate objectives as part of a strategy that it is due to reassess and, if necessary, further revise by 2025.

The most recent surge in inflation has shifted the context in which macroeconomic policies have been operating to pursue their objectives, most notably as central banks around the world, including the ECB, have changed course and raised interest rates to fight inflation. Higher interest rates make the tasks of fiscal policies, whether national or EU, more challenging as

the cost of borrowing increases. The debate on whether inflation and what central banks regard as 'necessary' interest rate increases will prove to be relatively transitory is still open. While energy prices have already returned to pre-war levels in international markets, this chapter has shown that the transitions that the EU has to undergo suggest that inflation is likely to stay higher than in the era of 'great moderation'. At the same time, by raising interest rates, central banks may face a conflict between meeting their own objectives in terms of price stability and financial market stability.

This shift in context does not mean, however, that macroeconomic policies in Europe cannot support the green, digital and geopolitical transitions by facilitating a social transition towards reduced inequality. Reduced inequality would be crucial not only to make the fight against climate change more effective (Gough 2017) but also to create the political consensus for implementing policies that mitigate it. It would, however, take a decisive shift away from established theoretical frameworks, the seeds of which have already been sown. Establishing greater fiscal capacity at EU level and pushing the economic governance reform as far as possible would be one way forward, especially if coupled with an open debate and decision on what the interaction between the policies of the ECB and the fiscal policies of the EU should be (Gabor 2022). Moreover, the ECB has expanded the range of tools it used during the 2010s in ways that could still allow it both to fight high inflation if it must (under the current circumstances) and to support EU investment that would foster the energy transition and greater strategic autonomy by differentiating its policy interest rates through the targeted longer-term refinancing operation (TLTRO) schemes (van t'Klooster 2022). Considering the impacts of ECB policies on inequality more explicitly would also be a sensible way forward.

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2. Labour market and social developments in the EU: crises and recovery



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Topics

Introduction and outline	53
Section 1 – Labour market developments	55
Section 2 – Specific topics	65
Conclusion	71



These crises occur against the backdrop of ongoing structural transitions and evolutions in the world of work

Introduction and outline

With one crisis following another at an increasing pace, the situation has reached a point where the labour market seems to be swinging from crisis to crisis (see p. 22). These multiple crises and the associated ongoing pressures pose a risk to us all: although, of course, they are generally worse for those who are more vulnerable – the young, migrants, the impoverished – there is profound uncertainty for everyone. This was illustrated very clearly by Covid-19, which affected everyone while, at the same time, entrenching certain inequalities between those who were harder hit and those who were less severely affected.

2022 was set to be a better year for Europe: the recovery was well under way with a rising demand for products and labour, and European labour markets had weathered the pandemic reasonably well thanks to national policies backed up by European SURE support (Eurofound 2022a). However, not only is the pandemic not yet over, with waves still occurring and likely to remain with us for the foreseeable future (Dorling 2022), but new crises are endangering European economies and labour markets. The recovery has boosted demand and exacerbated existing supply chain disruptions and labour shortages. Meanwhile, the Russian invasion of Ukraine has worsened the crisis in commodities prices, particularly in energy, which is causing a cost-of-living crisis in Europe as well as creating large flows of refugees from Ukraine.

These crises are occurring against the backdrop of ongoing structural transitions and evolutions in the world of work. In view of the many difficulties arising as a result, the ability of the European Union to address these challenges and transitions satisfactorily may be impaired. First, technological change and digitalisation continue to affect the labour market. The extent to which technological change and especially automation affect labour markets is, to some extent, still uncertain. It is clear, however, that they both generally lead to greater inequality on the labour market (e.g. Zwysen 2022). New technologies impact people in different ways as they are used to support certain tasks, in particular those that are more abstract and complex (and often better paid), while they may also be used to replace more routine and easily automatable jobs (usually with low or moderate pay) that do not involve interaction with other jobs (Autor, Goldin and Katz 2020). Recent evidence seems to suggest that, in general, greater automation and technological change may be associated with lower employment in specific tasks (Acemoglu and Restrepo 2020; Acemoglu, Lelarge and Restrepo 2020; de Vries et al. 2020), while there may be job creation in other sectors but not for the same workers (Dauth et al. 2021).

New technologies also offer new ways of working, and this shift has been accelerated by the pandemic. As it has become easier for people to work remotely for a variety of tasks and for managers to monitor and control work from a distance, it has been possible for large parts of the European workforce to switch to teleworking (Eurofound 2022b). In an extreme form, algorithms and new technologies also make it possible to split jobs into a series of smaller tasks that can each be outsourced independently through platforms. While still small in terms of employment levels, the prevalence of internet and platform work is significant on account of its impact on the traditional labour market (Piasna, Zwysen and Drahokoupil 2022).

Second, shifting patterns of globalisation and the spreading of value chains at both European and global level continue to affect the organisation of work and the division of tasks within Europe (Kordalska et al. 2022). Like technological change, an increasingly cross-national or even global division of tasks can limit the prospects of lower-skilled workers in the more advantaged, richer European countries, leading to greater



The need for a paradigm change to push back human activity within planetary boundaries becomes ever clearer

inequalities. The combination of the Covid-19 pandemic, the changing geopolitical landscape and the fragility of supply that is exposed when these value chains are constrained have also strongly re-established the ideas of reshoring certain activities and regaining or retaining strategic autonomy (Van den Abeele 2021).

Third, the need for a paradigm change to push back human activity within planetary boundaries (most notably decarbonisation and dematerialisation) becomes ever clearer. This involves a green transformation with a profound restructuring of the entire economy, which gives rise to sizable social costs and labour market effects. This is why a just transition, as described in more detail in Chapter 4 of this volume, is critical. In this process, hundreds of thousands of jobs in fossil-energy-dependent sectors will be lost (Alves Dias et al. 2021) and millions of European jobs will undergo a fundamental transformation with relocations and reskilling (Kuhlmann et al. 2021). While the green transition, like globalisation and digitalisation, offers great opportunities for the world of work and job quality, it also entails risks, as some of the growing number of jobs that are likely to provide support for the new green jobs will be of low quality (Eurofound 2022a). Furthermore, while new jobs are being created, it is not straightforward for workers from disappearing or declining sectors to take these up.

Finally, the current crises are also occurring against the backdrop of a fast-growing demand for labour, boosted by the pandemic. This has

exacerbated existing labour shortages in certain sectors, which have been increasing since the Great Recession (Aeppli and Wilmers 2022; OECD 2022). While there are several possible reasons for this, including a temporary fall in migration during the pandemic and some mismatch in skills, the rising demand for labour also provides workers with the opportunity to avoid lower-quality jobs. It is precisely in sectors with low pay and poor working conditions that the shortages are highest and the recovery has been slower (OECD 2022). This growing demand for labour can help workers regain some ground in the ever worsening balance of power with employers (Ståhl 2022). In the United States, the shortage is strongly associated with higher wage growth at the bottom of the wage distribution (Aeppli and Wilmers 2022)

This chapter sets out to document patterns and trends in employment and types of work across Europe up to 2022. Section 1 describes trends in employment, unemployment and precarious work across the EU Member States. Particular attention is paid to sectoral patterns reflecting the uneven impact of digitalisation, the current energy crisis and labour shortages. Section 2 then addresses specific key aspects of the labour market and Social Europe: changes in mobility patterns with a focus on the current refugee streams following the Russian invasion of Ukraine, the proposed Platform Directive and platform work and social protection across Europe serving as a safety net for the working age population.

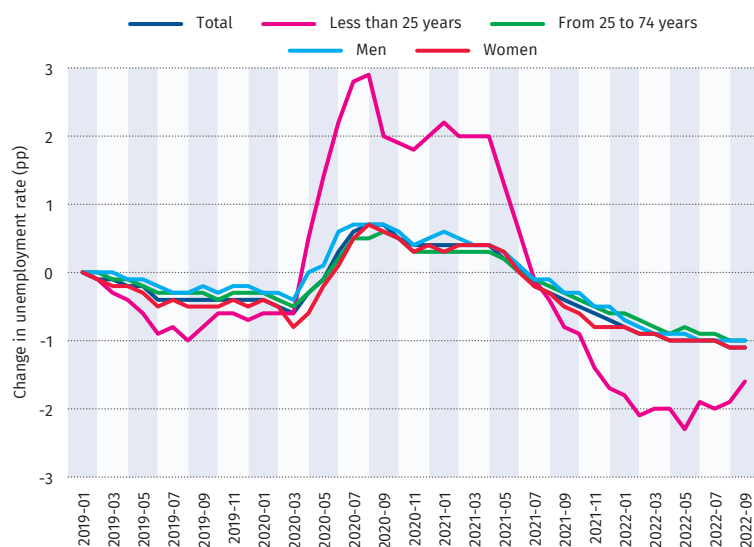
Section 1 – Labour market developments

Unemployment trends

EU Member States made substantial and, on the whole, appropriate efforts to protect employment throughout the Covid-19 pandemic (Zwysen et al. 2021; OECD 2022). They did so through the extensive use of job retention schemes and support measures (Drahokoupil and Müller 2021). These efforts were backed up by SURE. Although, because of the urgency with which they had to be implemented, they were too undifferentiated in some cases, they did effectively minimise employment losses, especially compared with some other countries (ILO 2022; OECD 2022).

Figure 2.1 shows the evolution of unemployment across the EU27 over time during the Covid-19 pandemic and the recovery. From January 2019 until early 2020, the unemployment rate declined. From March 2020, the number of unemployed increased rapidly so that, by May/June 2020, overall unemployment was almost 1.5 percentage points higher than its level the previous year. This figure also clearly highlights the fact that young people were very heavily affected, as unemployment among that group increased far more than others, rising by up to 4 percentage points in this first period. Unemployment rates then remained fairly stable until 2021.

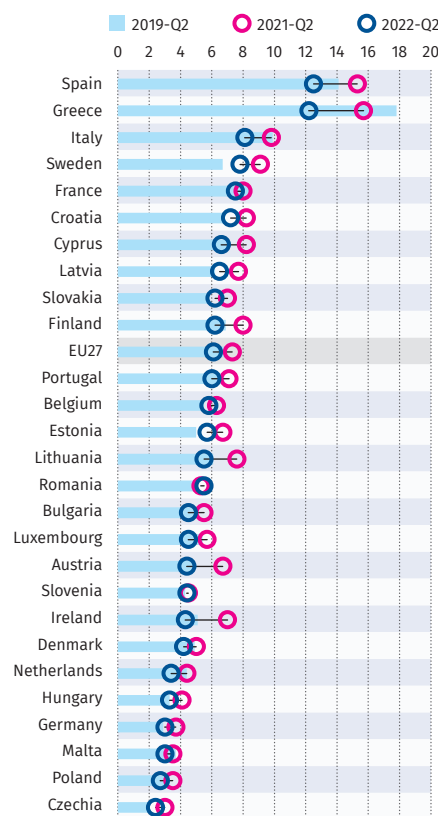
Figure 2.1 Changes in unemployment rate by EU Member State



Note: Unemployment rate (% of population in the labour force) for 15- to 74-year-olds (seasonally adjusted). Source: Eurostat (une_rt_q).

By spring 2021, the unemployment rate had recovered to January 2019 levels. As the recovery continued, unemployment rates dropped to 1 percentage point lower than in pre-Covid-19 times. Like the pandemic itself, the recovery affected young people the most, with unemployment rates in May 2020 dropping to 2 percentage points below January 2019 levels. However, in recent months, the unemployment rate has stopped falling and has even started to increase again a little among young people. This may reflect the fact that the current cost-of-living crisis, which is putting employment under pressure, is starting to blunt the recovery.

Figure 2.2 Changes in unemployment rates by country in the EU27



Note: Unemployment rate expressed as the difference in percentage points from January 2019 by demographic category for 15- to 74-year-olds in the EU27 (seasonally adjusted). Source: Eurostat (une_rt_m).

Unemployment fell slightly more for women than for men throughout 2019 and then initially rose faster for men than for women. Since 2021, unemployment rates for men and women have followed the same pattern.

Figure 2.2 shows the evolution in labour markets by EU Member State. In almost all EU Member States, unemployment rates increased from 2019 to 2021 (Q2), with the exception of Greece, France and Malta, where unemployment was lower in 2021, and Italy and Netherlands, where it remained stable. In almost all countries, the unemployment rate in 2022 was close to or below its 2019 level, showing a strong recovery. There are, however, some exceptions, with unemployment rates still being more than half a percentage point higher than in 2019 in Sweden, Slovakia, Estonia and Romania.

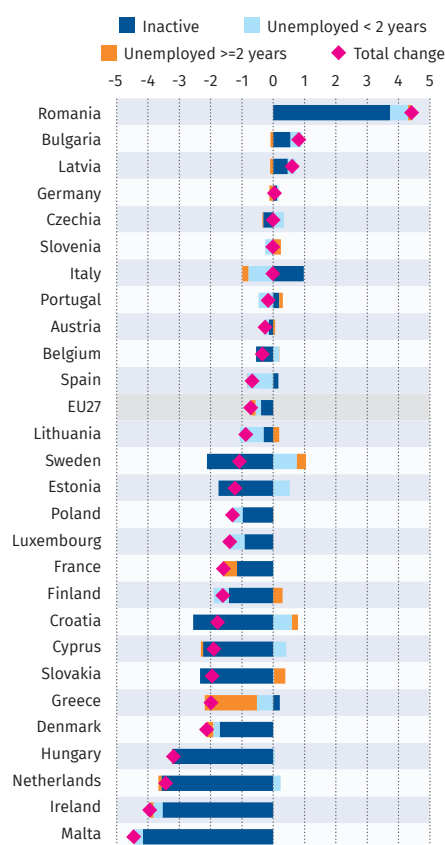
There are variations between countries in terms of the breakdown of unemployment and the ease of escaping it. On average, in the second quarter of 2022, one quarter of unemployed people in the EU27 had been unemployed for two years or longer. This figure was much higher in some countries, particularly Slovakia, Italy and Greece, where it was over 40%, and Bulgaria and Portugal, where more than 30% of the unemployed were long-term unemployed. On the other hand, it was particularly low in Sweden, Poland, Czechia, France, Finland and the Netherlands, where fewer than 15% of all unemployed were long-term unemployed.

Changes in non-employment

Besides unemployment, some workers have also left the labour market and, especially during the Covid-19 pandemic, may not have been actively looking for work. To chart this evolution, we must also consider changes in inactivity. Across the whole of the EU27, 34% of 15- to 74-year-olds were inactive in 2019, and, by 2022, this figure had dropped slightly to 33.8%. By comparison, in 2019, 4.1% of the population were unemployed, about one quarter (1.1%) of them for two years or more. Unemployment fell to 3.7% in 2022, with a proportionally greater decline among the long-term unemployed, who made up 0.9% of the overall population aged 15-74 in 2022.

Figure 2.3 shows this evolution by country. On average, the total number of people not working increased most substantially in Romania, followed by Bulgaria and Latvia. This trend was driven mainly by a growth in the share of inactive people – which may reflect an increase in those who are discouraged from working as well as demographic shifts with higher retirement levels.

Figure 2.3 Change in shares of people aged 15-74 not working



Note: Changes in the shares of 15- to 74-year-olds who are not working (inactive and unemployed for less than two years or more than two years) from 2019 to 2022 (Q2).
Source: LFSQ_UGAD, LFSQ_IGACOB, LFSQ_AGAN.

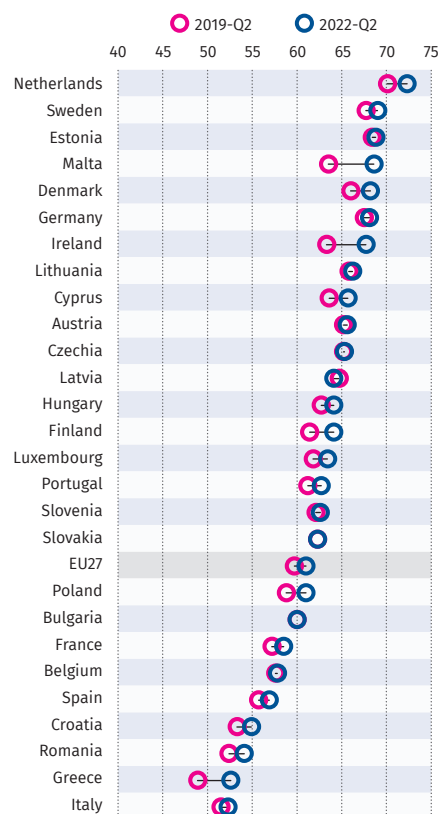
Overall employment

Throughout the Covid-19 crisis, employment in Europe remained largely protected as a result of the introduction of furlough, short-work and job-retention schemes (Drahokoupil and Müller 2021; Zwysen et al. 2021; OECD 2022). These measures ensured that employment did not drop too much, but hours worked did decline.

From around 2021, demand for labour surged, and, by the second quarter of 2022, overall employment had largely recovered. In 2019 (Q2), 59.7% of the population aged 15-74¹ in the EU27 were employed, dropping slightly to 59.3% in 2021 and then rising to 61% in 2022. However, this overall trend does hide some variation. First, employment rates among university-educated people rose from 78.3% to 78.9% from 2019 to 2022, while employment among people with upper secondary and post-secondary non-tertiary qualifications declined from 63.9% to 63.6%. The more highly educated then saw the quickest recovery. Second, while employment rates for men aged 15-74 rose by 0.6 percentage points up to 66.3% in 2022, they rose by 1.2 percentage points up to 55.9% for women. The recovery thus benefitted women more and enabled the gender employment gap to be closed to some degree (source: LFSQ_ERGAED). In terms of age, there was little difference with employment opportunities rising for young (15-24), slightly older (25-49) and older (50-74) people by between 1.1 and 1.5 percentage points.

There is also substantial variation across countries. In 2019, the employment rate was lowest in Greece (48.9%), followed by Italy (51.5%), Romania (52.4%) and Croatia (53.3%), while the highest employment was in the Netherlands (70.1%), followed at a distance by Estonia (68.4%). This range had reduced a little by 2022, when the difference between the highest and lowest employment rate dropped

Figure 2.4 Employment rate by country



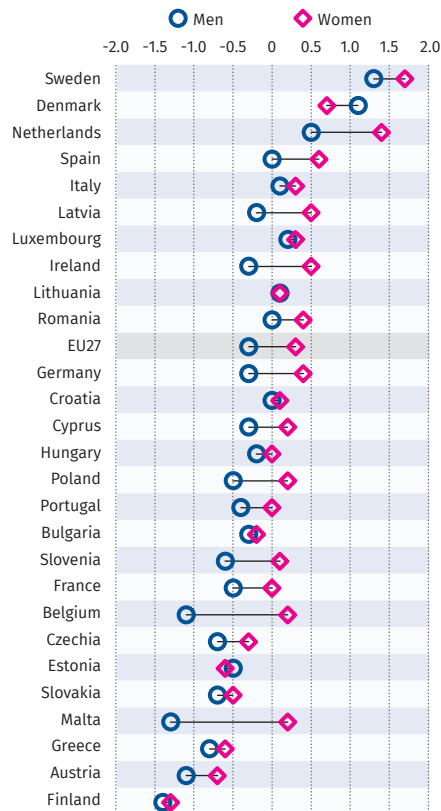
Note: Employment rate (% of total population) for 15- to 74-year-olds (seasonally adjusted). Source: Eurostat (LFSI_EMP_Q).

from 21.2 to 20 percentage points. The highest rate was still in the Netherlands (72%), followed by Sweden, Estonia and Malta (69%), while employment had increased moderately at the bottom, with 52% in Italy, 53% in Greece, 54% in Romania and 55% in Croatia.

Employment rates generally increased – by 1.3 percentage points on average – with the exception of Latvia, where they declined, and Slovakia and Bulgaria, where employment remained constant.

1. We have opted to show employment for the 15-74 age category here, rather than the customary 15-64 range, in order to include older segments of the population still working in light of rising retirement ages and population ageing. When using a wider age range, the employment rate tends to be lower, but overall trends in this change from country to country are very similar, regardless of the age category used (correlation is 0.9). By way of comparison, the employment rate for the 15-74 category in the EU27 changed from 59.7% in 2019 to 61% in 2022 (Q2), while the rate for 15-64 year olds changed from 68.1% to 69.9%.

Figure 2.5 **Change in hours usually worked per week 2019-2022 (Q2)**



Note: Change in hours usually worked per week for employed persons aged 20-64 from 2019 Q2 to 2022 Q2 by gender.
Source: Eurostat (LFSQ_EWHUN2).

In addition to overall employment, it is also relevant to look at time spent working. In the longer run, the number of hours worked by an average worker is declining across the EU. While that figure was 38.4 hours per week in 2004, it had dropped to 37.4 hours on average by 2014, after which it remained relatively stable until the pandemic. On average, the number of hours usually worked per week per worker dropped slightly during the pandemic from 37.4 in the third quarter of 2019 to 37.1 at the start of 2021. However, by the second quarter of 2022, it had recovered to 37.3.

This number nevertheless hides variation by gender. Figure 2.5 shows that, on average, men worked a third of an hour less per week in 2022 (39.9 vs. 40.2) than in 2019, while women worked a third of an hour more (34.7 vs. 34.4). In the majority of Member States (17), women worked more hours on average in 2022 than in 2019, which was not the case for men. The highest

increases in average hours spent working, by about an hour or more, were in Sweden, Denmark and the Netherlands. The figure decreased most in Malta (but not among women), Greece, Austria and Finland.

To some extent, this evolution reflects changes in the take-up of part-time work rather than an actual decline in working time. Indeed, while 15.3% of those in employment worked part-time in 2004, this had increased to 18.2% by 2020 and then declined slightly to 17.7% in 2021.

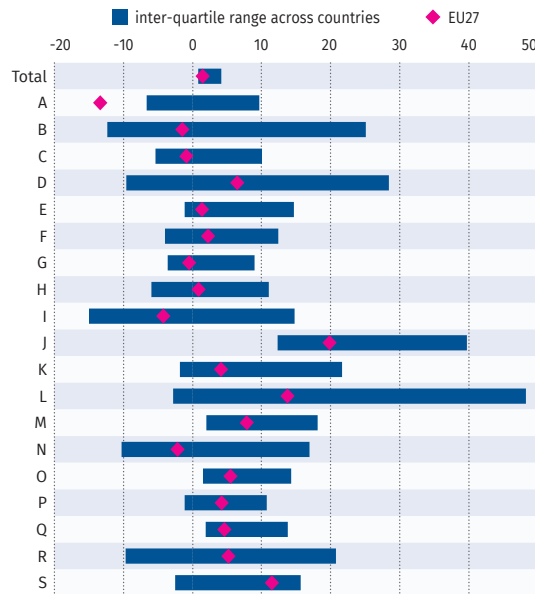
However, even full-time workers in 2021 worked on average more than an hour less per week than full-time workers in 2004 (40.5 vs. 41.7). This indicates that working time in Europe has reduced to some degree.

Labour shortages and industry patterns

The impact of the pandemic has been very unequally distributed over industries, and those that require personal contact, such as accommodation services and retail, were particularly heavily affected. The recovery is similarly unequal, with significant differences between industries.

Over time, there have been substantial industrial shifts across Europe as the major structural digital and green transitions have increased demand in some sectors while reducing it elsewhere. In Europe as a whole, the employment shares in industry declined, with 7% fewer people employed in manufacturing in 2022 (Q2) than in 2008 (Q1), 13% fewer in construction and 24% fewer in mining and quarrying. This probably reflects the green transition, increased imports of goods rather than manufacturing, and a switch towards services. Compared to 2008, there were enormous increases in employment in the ICT sector (48%) and in the professional, scientific and technical activities sector (33%), which reflects the move to digitalisation. Over time, there has been a sizeable increase in the relative share of people employed in education and human health and social work, but the public administration itself remained fairly stable, possibly highlighting some restraint on the part of governments in providing public and common services.

Figure 2.6 Distribution of changes across countries and average employment change by industry



Note: The figure shows the relative change (%) from 2019 to 2022 (Q2) for workers aged 15-74 in employment by industry, showing the average over the EU27 and the range between the first and third quartile over all 27 Member States.
Source: LFSQ_EGAN2.

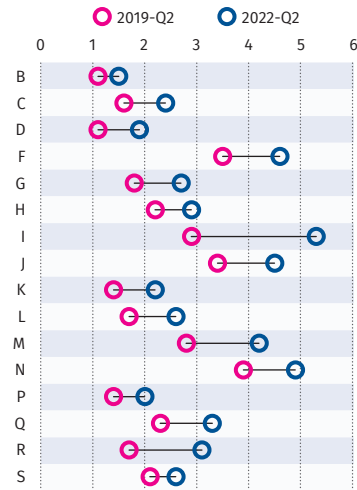
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Labour shortages can help rectify the growing imbalance in power between workers and employers

Figure 2.6 presents the evolution of employment in different industries² across the EU Member States in more recent years. This shows that employment grew most in the information and communication sector (J), followed by real estate activities (L), while employment declined most in agriculture (A), followed by accommodation and food services (I) and administrative and support services (N). While in some sectors the patterns for different countries are quite similar, there is a great spread between countries in prospects in mining and quarrying (B), electricity, gas, steam and air conditioning (D) and real estate (L).

The variations in speed of recovery partly reflect the differing appeal of these jobs, with sectors that offer lower-quality or lower-paid jobs with more difficult working conditions finding it hardest to fill vacancies (OECD 2022). This

2. Industries at NACE2 level. A Agriculture, forestry and fishing; B Mining and quarrying; C Manufacturing; D Electricity, gas, steam and air conditioning; E Water supply, sewerage, waste management; F Construction; G Wholesale and retail trade, repair; H Transportation and storage; I Accommodation and food services; J Information and communication; K Financial and insurance; L Real estate activities; M Professional, scientific and technical; N Administrative and support services; O Public administration and defence; P Education; Q Human health and social work; R Arts, entertainment and recreation; S Other service activities.

Figure 2.7 Job vacancy rate 2019 to 2022



Note: Job vacancy rate in 2019 and 2022 (Q2) in the euro area (19), not seasonally adjusted.
Source: JVS_q_nace2.

may be partly because Covid-19 has reshaped preferences and tolerance towards low-quality jobs (Causa et al. 2022).

Figure 2.7 shows how the job vacancy rate – the ratio of open vacancies to total jobs within a sector – changed from 2019 to 2022 by industry. This shows the highest proportion of outstanding vacancies in accommodation and food services (I), information and communication (J), construction (F) and administrative and support services (N), with by far the largest increase in vacancies in accommodation services. It is no coincidence that many of these sectors offer jobs with lower pay or conditions, although skills mismatches also pose issues in the ICT sector, for instance (Eurofound 2021; McGrath 2021). At the same time, there are far fewer open vacancies in the utilities sector (D), financial and insurance services (K) and real estate activities (L).

While labour shortages can potentially be damaging for productivity and growth, they can help rectify the growing imbalance in power between workers, particularly the more precarious, and employers. A tight labour market means workers have greater choice to reject certain jobs, and these outside options provide more bargaining power. In a recent study, Aeppli and Wilmers (2022) show that wage inequality has declined in the United States since the Great Recession due to a tight labour market, helping workers at the lower end of the wage distribution to realise larger real wage gains. Similarly, Paternes Meloni and Stirati (2022) find a clear link between slack labour markets and the decoupling of wage growth from productivity growth. Accordingly, there are opportunities in a tight labour market for

workers and for trade unions (Stahl 2022). In Europe as well, there is a link between labour market tightness and declining wage inequality.

Non-standard work and precariousness

As not all jobs are equal, it is crucial to consider the quality of jobs to which people have access in the European Union. There is an increasing variety in types of employment, with growing numbers working on part-time or temporary contracts as well as other non-standard types of employment.

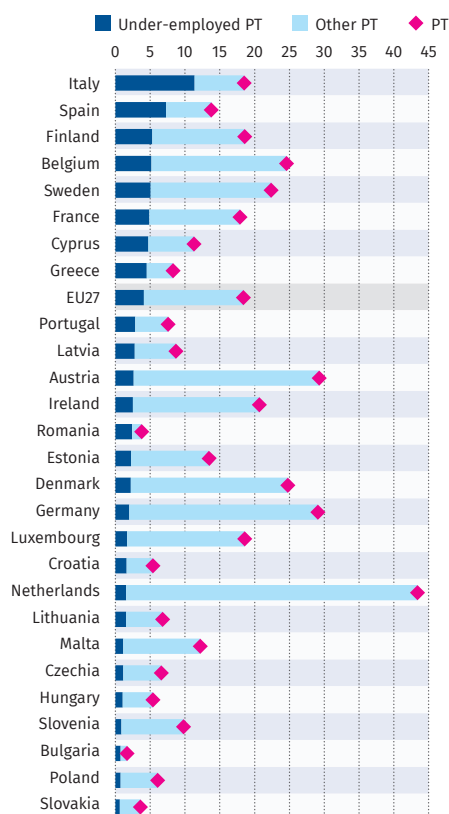
The extent to which part-time and temporary work are free choices rather than constraints because a full-time contract or a contract of indefinite duration is not available is an important aspect of the quality of work (Piasna 2017) and the strength of the labour market. In the EU as a whole in 2021, 22.3% of all employed people worked on part-time contracts, about one fifth of them because they could not find a full-time position (see Figure 2.8). Part-time work itself is highest by far in the Netherlands (43.4%), followed by Austria and Germany, at

around 30%, and then Belgium and Denmark, at around 25%. It is much rarer in some of the central and eastern European Member States such as Slovakia, Bulgaria, Romania, Hungary, Czechia and Croatia. Part-time work is much more common among women (29.4% vs. 9.1% for men) in the EU as a whole. In the Netherlands, for instance, the part-time work rate for women is 65%, while it is 50% in Austria. Importantly, in countries with a higher share of part-time work, the gap in employment rates between men and women is smaller. There is a moderately strong positive correlation (ρ coefficient = 0.34) between the share of part-time work and the employment rate gaps.

Involuntary part-time work follows a very different pattern, however, and is highest in southern European countries such as Italy, Spain, Cyprus, Greece and France, but also in Finland, Sweden and Belgium.

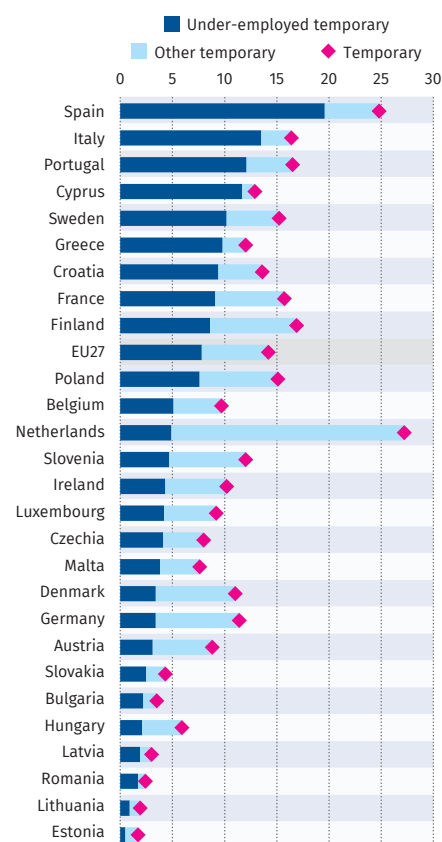
While a smaller share of workers (14.2%) worked on temporary contracts, just over half of them (7.8%) did so because they could not find an open-ended contract (see Figure 2.9). Temporary contracts are most common in the Netherlands

Figure 2.8 Under-employed part-time work in the EU27



Note: Share of part-time workers (%) – composed of involuntary (could not get full-time jobs) and other reasons – as a share of all employed people aged 15-74.
Source: lfsa_eppga and lfsa_eppgai.

Figure 2.9 Under-employed temporary work in the EU27



Note: Share of employees on a temporary contract (%) –involuntary (could not find a permanent position or job exists only as a temporary position) and other – for 15- to 74-year-olds.
Source: LFSA_ETGAR.

and Spain, but, while 80% of those working on temporary contracts in Spain do so because there is no permanent position, that category is only 18% in the Netherlands. Involuntary temporary work is most common in southern European countries – between 9% and 20% of employees in Spain, Cyprus, Portugal, Croatia, Italy, France and Greece work on an involuntary temporary contract. The figure is also fairly high in Sweden (10%) and Finland (9%).

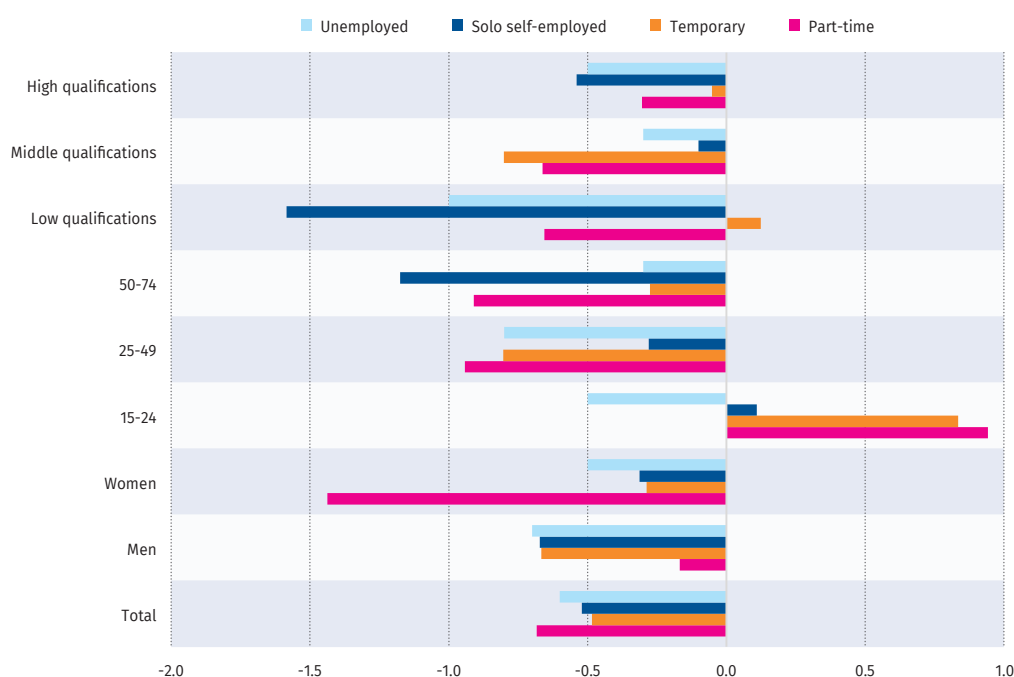
Temporary and part-time work are two types of non-standard work, but it is important also to consider other variability in the labour market. Figure 2.10 shows changes in different types of vulnerabilities on the labour market – the percentage of workers who are unemployed, who are solo self-employed, who work on temporary contracts or who work part-time – from 2019 to 2022 across the EU by demographic. Overall, all these employment statuses became less common from 2019 to 2022, showing a recovery not only in employment but also in standard, more secure employment. Women in particular saw a decline in part-time work, while there was very little difference for men. By age, however, there are considerable differences, as young workers were much more likely to be part-time or temporary workers. This highlights their more precarious position. The lower qualified are also exposed to a greater risk of working on temporary contracts. While the recovery subsequently improved the quality of jobs

overall, the young and the lower educated are still at greater risk of being left behind in the recovery, as they were also harder hit during the pandemic.

Employment should keep people out of poverty. However, across the EU in 2021, around 9% of workers lived in households with equivalised budgets under 60% of the median, meaning they are at risk of poverty. That risk was highest in Romania (15%), Luxembourg (14%), Spain (13%), Italy (12%), Portugal and Greece (11%), and Estonia, Bulgaria and Latvia (10%). The working poor are much rarer in Finland (3%), Belgium, Czechia, Ireland and Slovakia (4%), and Slovenia, Croatia and the Netherlands (5%). There is some disparity in these risks across Europe with southern Europe especially having more working poor. Of course, the risk of poverty also reflects the level of the median household income itself, which is probably why the risk is fairly high in Luxembourg.

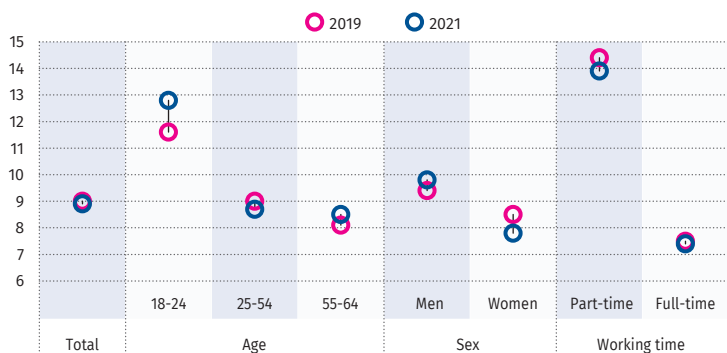
Figure 2.11 shows variation in the shares of working poor across the EU27. In 2021, around 13% of young people (18-24) were working poor, well above the risks for older workers. This difference widened from 2019 to 2021, showing the unequal impact of the pandemic. Men are a little more likely than women to be working poor, and this difference had doubled from 1 to 2 percentage points by 2021. Part-time workers

Figure 2.10 Change in vulnerability on the labour market (2019-2022 Q2)



Note: Changes from 2019 to 2022 (Q2) expressed as shares (%) of all employed persons aged 15-74 for the EU27 by demographic characteristics. For temporary contracts, it is the share of employees.
Source: Eurostat (LFSQ_EPGAED for employed and part-time; LFSQ_ETGAED for temporary, LFSQ_ESGAED for solo self-employment; lfsq_urgaed for unemployment rates).

Figure 2.11 In-work at-risk-of-poverty



Note: In-work at-risk-of-poverty rate (%) by demographic and work characteristics from 2019 to 2021 across the EU27 for 18- to 64-year-olds. Source: Eurostat (ILC_IW01; TESSI250).

are almost twice as likely to be working poor than full-time workers overall.

In the current cost-of-living crisis, these vulnerable positions are likely to be further exacerbated.

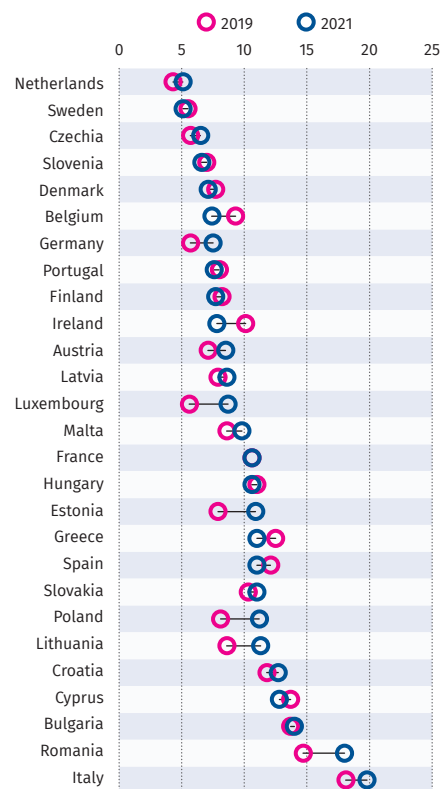
Youth outcomes

The Covid-19 pandemic hit young people very hard (Zwysen et al. 2021), putting them at greater risk of precarious jobs and unemployment. However, the recovery is well under way for the young, with employment rates for those aged 15-24 years up from 33% in 2019 to 35% in 2022. Nevertheless, in 12 European countries, employment rates for the young were still below their 2019 levels in the second quarter of 2022. These are predominantly in central and eastern Europe (Estonia, Lithuania, Slovenia, Poland, Hungary, Czechia, Slovakia, Romania and Bulgaria), but it is also the case in Portugal, Luxembourg and Belgium (source: LFSQ_ERGAN).

With regard to young people, however, it may be more important to consider the rate of those who are not in employment, education or training. Figure 2.12 shows the rates of such NEETs in 2019 and 2021. Young people face the greatest difficulties in Italy, Romania, Bulgaria, Cyprus and Croatia, where, in 2021, 13% or more of the young were neither employed nor in training. Italy and Romania also experienced a sharp rise in NEETs. NEET rates are much lower in the Netherlands, Sweden, Czechia, Slovenia, Denmark, Belgium, Germany, Portugal, Finland and Ireland. In these countries, with the exception of Germany, NEET rates actually declined from 2019 to 2021.

The European Union is committed to ensuring that young people are offered training or employment as part of the Youth Guarantee. This is important, as early negative experiences

Figure 2.12 Share of 15- to 24-year-old NEETs



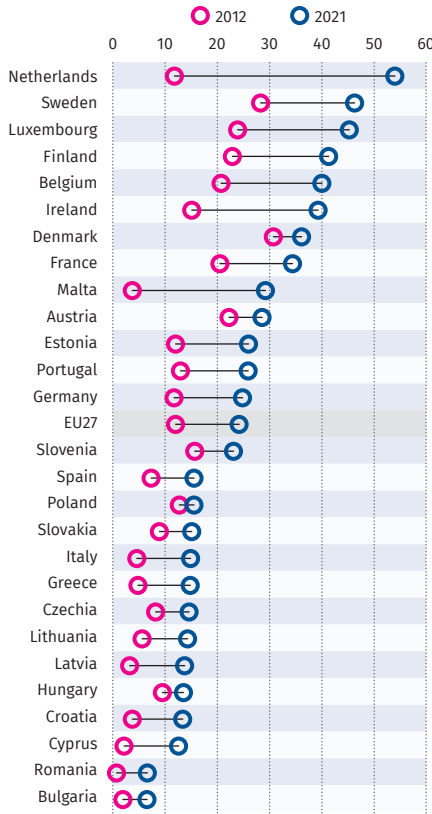
Note: Share of 15- to 24-year-olds (%) who are not in employment, education or training. Source: Eurostat (TIPSLM90).

on the labour market can have long-lasting scarring effects on young people, negatively affecting their later labour market outcomes.

Home working

During the pandemic, many governments initiated lockdowns or limited mobility, and telework often became all but obligatory where it was possible (Samek Lodovici 2021; Zwysen et al. 2021). This shift was quickest and easiest for employers and employees that already had some experience with teleworking and tasks that could easily be done remotely (Adams-Prassl et al. 2022). The pandemic accelerated take-up of technological innovation that was already happening and sped up this process with new technologies, capabilities and management practices. These investments were mainly made by firms with a more highly skilled workforce and those that were already more technologically advanced (Valero et al. 2021). The pandemic widened this polarisation, but also added a problematic dimension, as those in jobs that could not be done from home – more often the lower paid, the lower educated, women, and those in smaller and less productive firms – were at greater risk of being laid off or of contracting

Figure 2.13 **Sometimes or usually working from home**



Note: Share (%) of employed people aged 15-74 who work from home at least sometimes.
Source: LFSA_EHOMP.

Covid (Criscuolo et al. 2021; Adams-Prassl et al. 2022; Felstead and Reuschke 2020).

Figure 2.13 shows that, on average, 24% of workers in the EU worked from home at least sometimes in 2021, compared to 12% in 2012. This represents a doubling over time. There is wide variation between countries, however, even though the share of teleworking increased everywhere. In the Netherlands, 54% of all workers teleworked in 2021, up from only 12% in 2012. Teleworking is still most common in northern and western countries like the Netherlands, Sweden, Luxembourg, Finland, Belgium, Ireland, Denmark and France, while it is least common in central and eastern European countries such as Bulgaria, Romania, Croatia, Hungary, Latvia, Lithuania and Czechia.

There is a high likelihood that home working will continue in some form at least after the pandemic. In surveys, both employees and employers report a desire to retain some home working, with a hybrid system probably the most favoured option (Barrero et al. 2021; Mizen et al. 2021; Criscuolo et al. 2021).

Generally, the move to the home office led to workers reporting that they got at least as much

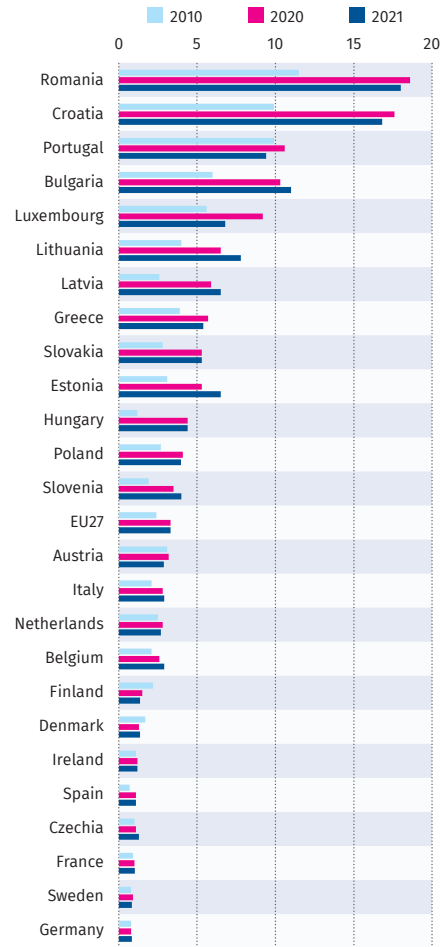
done as before, if not more, but they also spent more time working (Bolisani et al. 2020; Mizen et al. 2021; Giovanis and Ozdamar 2021; Lewis et al. 2021; Weitzer et al. 2021).

This higher average productivity, coupled with the stark differences in who is able to telework, has the potential to raise overall income inequality substantially (Davis, Ghent and Gregory 2022).

Trends in migration and mobility

As regards population movements in the EU, the most significant recent phenomenon has been the displacement of millions of people from Ukraine as a result of Russia's invasion. Intra-EU labour mobility remained fairly stable both during the pandemic and in its wake. Refugee flows from regions other than Ukraine showed no major trend shifts, apart from a dip during the pandemic and a rebound afterwards.

Figure 2.14 **EU27 citizens of working age residing in another Member State (as a % of their home country resident population)**



Source: Eurostat 2022 (LFST_LMBPCITA).

Intra-EU labour mobility

Labour mobility within the EU has remained relatively subdued, and the dynamism seen in the past decade is already a distant memory. In 2021, 10.6 million EU27 citizens – 3.3% – of working age were living in another Member State, up from 7.8 million in 2010 and unchanged from 2020 (a decrease of 5 000).

As Figure 2.14 shows, there are huge differences between Member States, with the share of mobile workers in the working age population ranging from 0.8% in Germany to 18% in Romania and 16.8% in Croatia, followed by Bulgaria (11%) and Portugal (9.4%). Intra-EU labour mobility has not been seriously affected by the pandemic, nor was a rebound observed. All major sending countries have seen decreases over the past couple of years. Aside from Bulgaria, only the Baltic states have showed an increase in the number of their working age citizens recently. Despite the stability of the past couple of years, when compared to 2010, the increase in intra-EU labour mobility is still significant, as is shown by Figure 2.14.

In absolute terms, in 2021, the most numerous national groups of mobile EU citizens aged 20–64 were those from Romania (2 280 000), Italy (1 310 000), Poland (1 077 000) and Portugal (848 000). It should be noted that these numbers do not include workers from those countries in the UK.

Refugees and asylum seekers in the EU

Since March 2020, the pandemic has suppressed irregular migrant arrivals to the EU and contributed to a temporary easing of the related political tensions. While a new European Pact on Immigration and Asylum was adopted in 2020, the EU is still far from having a common strategy. Although European states agreed on

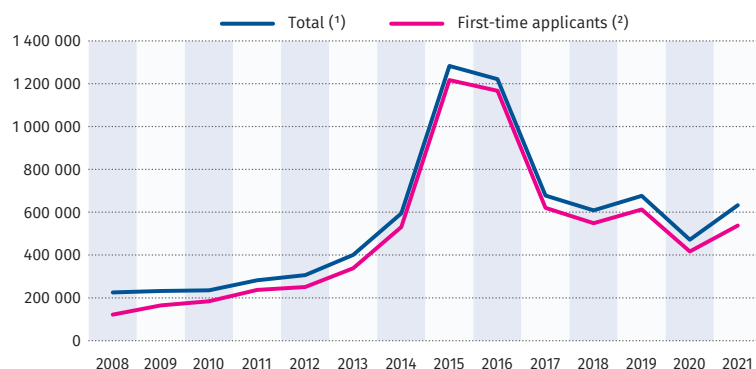
tighter controls of borders and deportation to countries of departure or transit, there is not a high degree of solidarity. As Figure 2.15 shows, while in 2021 asylum applications increased from 471 000 to 632 000, they remained below their 2019 level (676 000). Most asylum applications were submitted in Germany, France, Spain, Greece and Italy. As regards new arrivals, UNHCR (2022) reports that, in 2021, 123 000 migrants and refugees entered the EU, 29% more than in 2020. 2022 saw a further increase in refugee and migrant arrivals in Europe via the Mediterranean, totalling 110 000 by the end of September, a 31% increase compared with the same period in 2021 (UNHCR 2022b).

Temporary protection for people fleeing Ukraine

On 4 March 2022, the European Council (2022) unanimously adopted an implementing decision introducing temporary protection for people fleeing Ukraine as a consequence of Russia's invasion. Temporary protection is an exceptional measure to provide immediate interim protection to displaced persons from non-EU countries and those who are unable to return to their country of origin. It applies when there is a risk that the standard asylum system will struggle to cope with demands stemming from a mass inflow and a danger of a negative impact on the processing of applications.

By the end of October 2022, 3.7 million people (8.3 per 1 000 EU population) fled Ukraine and benefitted from temporary protection (Eurostat 2022). Among the EU Member States, the highest numbers of temporary protection beneficiaries relative to population were observed in Czechia (39.9 per 1 000 inhabitants), Estonia (27.1) and Poland (26.9). In absolute terms, the main countries hosting beneficiaries of temporary protection were Poland (1.02 million temporary protection beneficiaries) and Germany (873 860). These two EU Member States accounted for 50% of all beneficiaries of temporary protection in the EU and EFTA countries in October 2022 (Eurostat 2022).

Figure 2.15 Number of asylum applicants (non-EU27 citizens), EU27, 2008-2021



Source: Eurostat (2022).

Section 2 – Specific topics

Platform work

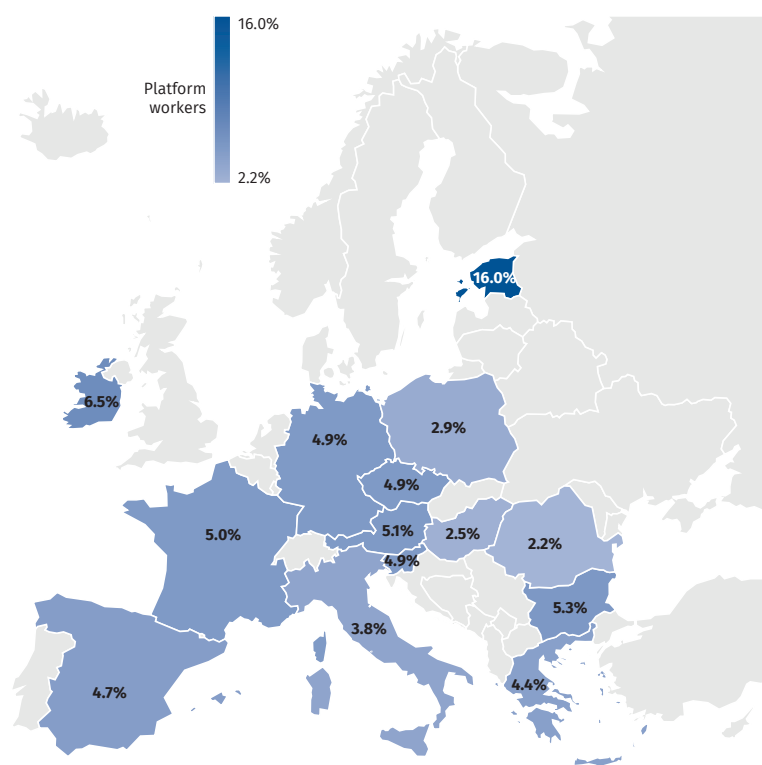
How widespread is platform work?

One of the key debates on the future of work concerns digital labour platforms. These can be seen as an extreme use of new digital technologies to mediate and organise work by automating certain organisational functions and labour intermediation. Crucially, platforms make heavy use of, and can be seen as a training ground for, forms of algorithmic management, digital surveillance, remote work and cross-border outsourcing, which are also finding their way into the traditional offline economy (Piasna and Zwysen 2022).

While the novelty of these technological solutions and their impact on working conditions have generated a wide policy debate and much research, the actual share of platform workers is still relatively small. The ETUI Internet and Platform Work Survey (IPWS) is a large, cross-nationally representative survey conducted in 14 EU Member States in spring and autumn 2021 (Piasna et al. 2022). The survey estimates that

about 17% of the working age population (18-65) in Europe earned money via the internet in the previous 12 months. A slightly smaller group of 12% had carried out internet-based work in the year prior to the survey, defined as any of the following: short remote clickwork tasks, remote creative work such as translation or IT work, on-location work such as handyman or babysitting work, delivery or transport work. A subset of about half of these (6%) performed these sorts of tasks through labour platforms – apps or websites that match service providers to clients, handle payment and include some form of rating system. The others often worked through websites that had some but not all of these elements; they are, however, a group that may easily turn to platform work. While for most platform workers this is a supplemental form of income on top of offline work, there is a group of 1.6% of working-age Europeans who are classified as main platform workers – they work at least 20 hours per week on labour platforms or earn 50% of their income through them. While these numbers are relatively modest, they correspond to 15.5 million platform workers and 4.5 million main platform workers across Europe.

Figure 2.16 Distribution of platform work across countries



Note: Share (%) of respondents having carried out work through labour platforms in the previous 12 months. Source: ETUI IPWS spring and autumn 2021.

Figure 2.16 shows the distribution of platform work across countries. It is relatively low in Romania, Poland and Hungary at 2 to 3%, followed by Italy at 4%, with most other countries at 4 to 5% and the highest levels in Ireland and Estonia.

One of the key findings of the ETUI IPWS is that, while platform workers are generally younger, more highly educated and a little more likely to be migrants than the population at large, the differences are not so marked. This is significant, as platform workers are sometimes characterised as being only young students who may not need the same protection against exploitation at work as others do. Importantly, platform work does not seem to replace offline work or to activate the unemployed. It generally provides supplemental income and is taken up by workers when local labour market conditions are less favourable (Zwysen and Piasna 2023). In addition, the IPWS points to platform work as a lower-quality type of employment, with low median earnings that are often below the minimum wage, which is taken up as a last resort (Piasna et al. 2022). This points to the need for protection and regulation.

Regulating platform work

Some Member States have already taken action in this regard, adapting existing legislation or introducing new regulations to protect platform workers. The most significant example is Spain, where the 'Ley Rider' (Rider Law) created a broad presumption of employment which applies to all delivery platforms that exercise powers of organisation, direction and control, even indirectly and implicitly (Baylos 2022). In Italy, platform workers can access many of the protections available to employees when work performance is organised by their principal (Aloisi 2022). France and Italy have also introduced special provisions for self-employed workers in certain sectors (mobility and delivery respectively) (Rainone 2022b). Finally, the Belgian government presented a legislative proposal supplementing the existing rules on presumption of employment with provisions specifically addressed to platform workers with a view to better capturing the features of subordinate labour in the platform economy (Raucent 2022). These initiatives have the merit of addressing a regulatory vacuum, but the overall result is uneven and loose protection. The existing measures either only cover specific sectors (in Spain and for the self-employed in France and Italy) or have only mediated effectiveness, as they require the intervention of a judicial authority, with uncertain outcomes (in Belgium and Italy).

Prompted by these legislative developments and the emergence of incoherent jurisprudence at European level, the European Commission decided, in December 2021, to take action with a twofold initiative to promote decent working conditions for platform work (European Commission 2021c): a proposal for a directive and a set of guidelines on collective bargaining.

As far as the proposal for a directive is concerned, legislative work is still in progress. The initiative, as presented by the Commission, introduces several innovative elements. First, standards on algorithmic management are established (Aloisi and Potocka-Sionek 2022). These include transparency obligations in relation to the use of automated monitoring and decision-making systems in favour of all digital labour platform workers (Article 6). Moreover, decisions taken or supported by automated decision-making systems that significantly affect platform workers' working conditions are to be subject to human review (Article 8). But perhaps the most incisive provision concerns the introduction of a presumption of subordination (Article 4). The presumption is triggered where there is platform control of work performance. To this end, the

proposal identifies five conditions characteristic of the exercise of control and stipulates that, if two of them are fulfilled, the relationship between the worker and the platform must be considered to be an employment relationship. The platform can always rebut the presumption if it proves that the worker is, in fact, self-employed (Article 5).

According to the Commission's estimates, the proposed rule would address the risk of misclassification for between 1.72 million and 4.1 million platform workers (European Commission 2021d).

Nevertheless, a significant weakness of the Commission's initiative is the creation of a barrier to accessing the presumption, as the worker must first prove that he or she is subject to at least two criteria inherent in control (Kullmann 2022). Rather than an actual presumption, the proposal for a directive thus establishes a reversal of the burden of proof, which requires the initiation of legal action in order to be activated.

The text presented by the Commission is, however, merely the initial stage in the legislative process. Before it is (eventually) approved and transposed into legislation, the proposal has to pass the scrutiny of the European Parliament and the Council, and it might come out heavily modified. In December 2022, Parliament voted to expand the protective scope of the directive through a broader definition of digital labour platform and to strengthen the presumption by removing the obligation of the worker to fulfil criteria indicating control (European Parliament 2022). The Council, on the other hand, favours a much more restrictive position, closer to the demands of the platforms (Bourgery-Gonse 2022). So far, however, the Czech Presidency has struggled to obtain a sufficient majority to formalise a negotiating position.

The second initiative adopted by the Commission concerns a set of guidelines to resolve the protracted conflict between collective bargaining and competition law, which could potentially have a favourable effect on platform workers' collective bargaining (European Commission 2022a). The rationale of this initiative is to prevent collective agreements covering certain categories of solo self-employed workers from being considered as anti-competitive agreements from an EU competition law perspective (Lianos et al. 2019). More precisely, under the guidelines, self-employed individuals who are in a comparable situation to workers in an employment relationship can enter into collective agreements without infringing EU competition law. Rather interestingly, among

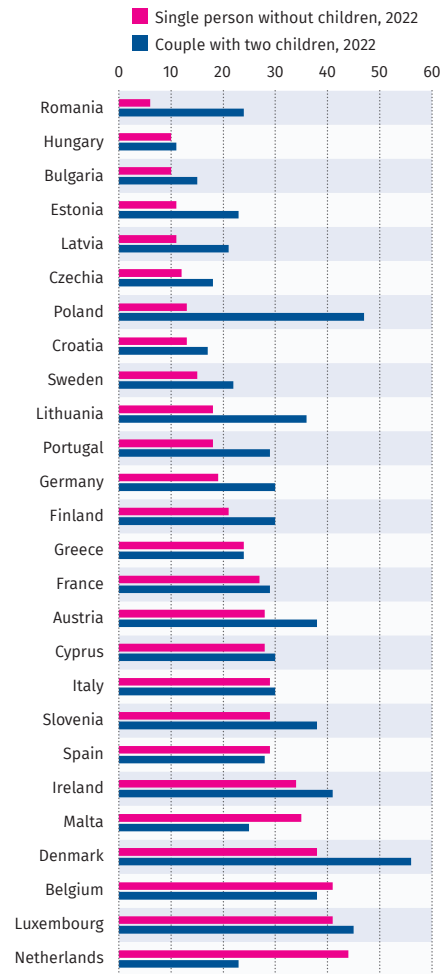
those individuals who are comparable to employees, the Commission identified ‘solo self-employed persons performing services through a digital platform’. In so doing, the guidelines removed the regulatory limitations that had inhibited collective bargaining initiatives in some jurisdictions (Rainone 2022b). However, the guidelines refer only to solo self-employed working for digital platforms that *organise* work, which might have the effect of excluding some workers. The scope of the initiative may depend largely on how the organisational power of the platform is interpreted. A narrow reading could, in fact, lead to the exclusion of most online platform work, such as on-demand tasks performed through the digital infrastructure of Amazon Mechanical Turk or PeoplePerHour, where the platform’s intervention is more subtle than in offline platform work (for instance, food delivery).

Social protection: changes across Europe

Over the past year, it had been possible to identify three macrotrends in the development of social protection measures: greater emphasis on minimum income schemes (MIS), the adoption of emergency policy measures aimed at mitigating the cost-of-living crisis, even though the majority of such measures were aimed at the broad population rather than assisting those most in need, and support measures for Ukrainian refugees. All in all, the war, coupled with bottlenecks in supply chains, rising energy costs and record-high levels of inflation, has put further pressure on those most exposed to social risks (Sgaravatti et al. 2022; ILO 2022).

Atypical, self-employed and young workers still remain the categories most excluded from contribution-based social protection schemes, particularly unemployment insurance (Spasova et al. 2022; Fabris and Nardo 2023). Although ad hoc policy instruments to ease access to social protection were put in place throughout the pandemic, formal access to such schemes has not been fundamentally improved for atypical and self-employed workers (Spasova et al. 2022). Those with limited access to social insurance (due to age, patchy employment history or contract type) can rely on non-contributory safety nets, such as unemployment assistance (UA) and social assistance schemes. While UA is available in only a handful of Member States, social assistance schemes are more widely available, particularly in the form of means-tested cash transfers known as minimum income schemes (MIS). Over the past two decades, MISs

Figure 2.17 Adequacy of minimum income schemes (%)



Note: Adequacy refers to the income of individuals or households relying on MISs as a percentage of the median disposable income. Values are expressed as a percentage of the median disposable income in the country. Single person without children – data for Greece, the Netherlands, Poland and Portugal unavailable for 2022, and data is from 2021. Couple with two children – data for Greece, the Netherlands, Poland and Portugal unavailable for 2022, and data is from 2021. Source: OECD (2022).

have undergone major transformations. From being residual instruments to prevent extreme poverty, they now have the dual function of providing income support and promoting social and labour market inclusion. Uncertainty in the labour market will most likely increase, particularly due to the digital and green transitions. As such transitions highlight the vulnerability to upheaval of all workers, there is a greater need for support that goes beyond merely addressing extreme poverty.

In this regard, the European Commission has recently put forward a (non-binding) recommendation on adequate minimum income, placing great emphasis on the role of active inclusion in lifting individuals out of poverty. Adequacy levels of MISs remain low (see Figure 2.17), and non-take-up of benefits is exceedingly high, ranging from 30 to 40% (European Commission 2022c, 52). Moreover,

MISs often impose overtly stringent eligibility requirements based on age (ES, DK, CY, FR, LU), long-term residency/citizenship or activity status and therefore exclude entire segments of the population (Natili 2020). Poverty remains a pressing issue, and, in 2021, one in five (21.7%) individuals living in the EU (source: Eurostat ILC_PEPS) was at risk of poverty and social exclusion. As discussed above, while employment is certainly a way out of the worst poverty, around one in 10 workers in Europe are still at risk of poverty.

In order to mitigate the cost-of-living crisis, several Member States have put in place (temporary) support measures to cushion the effects of soaring prices and rising inflation. Most of the reported measures were aimed at the overall population and consisted in non-targeted one-off payments to alleviate the cost of energy bills (electricity, gas and oil) and fuel. However, some Member States, such as BE, CZ, DK, DE, EE, EL, ES, FR, IT, LT, MT, NL, AT, PL and RO, have put in place general financial support measures for vulnerable groups (EU PolicyWatch – Responses to Inflation; further details available in Chapters 1 and 4). What remains a pressing issue is the non-indexation of social protection benefits. Social assistance and social insurance beneficiaries, such as those receiving unemployment insurance, a minimum pension and MIS benefits, have been plunged deeper into poverty by a collapse in the real value of their benefits due to non-indexation.

Following the Russian invasion of Ukraine, several policy instruments were adopted to support Ukrainian refugees. According to Eurofound's EU PolicyWatch database, 166 policies were implemented across the EU to support refugees fleeing Ukraine and to implement their rights to housing (19%), general access to social protection (19%) and access to active labour market policies (14%), among other measures.

Country-specific recommendations, recovery plans and the European Pillar of Social Rights

After a period of radical adjustment to accommodate the institutional innovations brought by the EU recovery strategy, the European Semester resumed fully in 2022 (Vanhercke and Verdun 2022). The European Semester can be described as an institutionalised dialogue between the EU executive bodies (the Commission and the

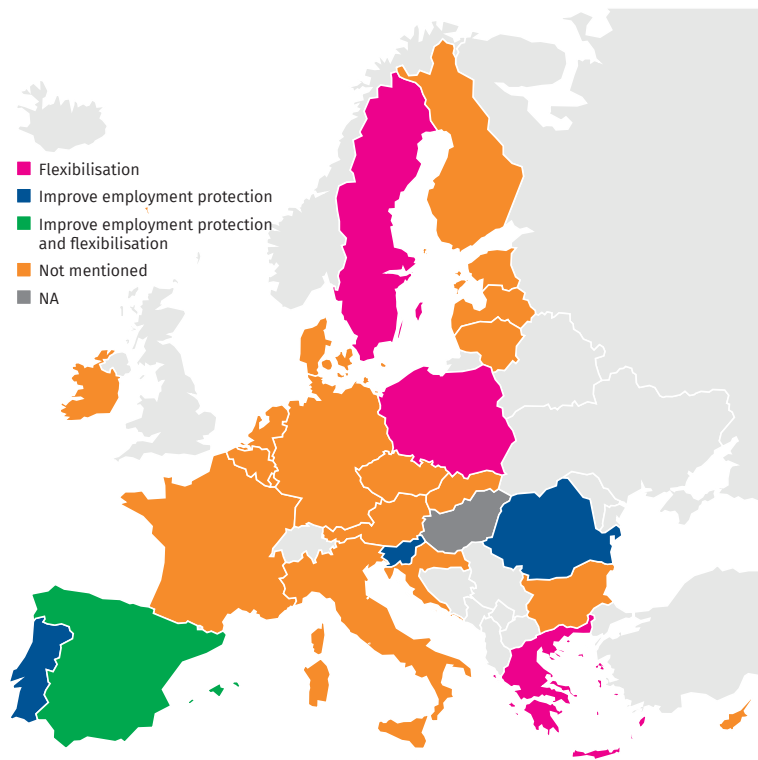
Council) and national governments through which the former monitor the economic, fiscal, labour and social policy-making of the Member States (Zeitlin and Vanhercke 2018). Among the aspects that fall under the scrutiny of the Commission and the Council are a number of growth-enabling factors, including possible macroeconomic imbalances and sustainability of public debt and deficits, in accordance with the criteria laid down in the Stability and Growth Pact (Degryse 2012). Other relevant factors are the employment situation and the inclusiveness of the labour market (European Commission 2022b). As from 2017, the assessment of the national situations also had to take into account the European Pillar of Social Rights (EPSR) and the accompanying benchmarking instrument, the Social Scoreboard (Rasnača 2017). The Semester concludes with country-specific recommendations (CSRs) by which, on the proposal of the Commission, the Council requests national governments to implement reforms and investments in particular policy areas. For about 10 years, the ETUI has carried out an annual mapping exercise of CSRs in the labour and social sphere (the first was Clauwaert 2013).

Historically – and markedly so in the years following the euro crisis of 2011 – CSRs have been predominantly oriented towards promoting the sustainability of public finances and job creation, including through commodifying intervention on labour protection and cuts in social public investments (Pecinovsky 2019; Maccarrone, Erne and Golden 2022). The EPSR seems to have played only a marginal role, as its adoption did not lead to a noticeable socialisation of governance processes and CSRs (Rainone and Aloisi 2021).

The composition of the CSRs underwent a major transformation in 2020 when, in the midst of the pandemic and lockdowns, the EU institutions requested Member States to prepare an unprecedented set of measures on social protection and assistance (Rainone 2020). Even the previously fairly frequent CSRs that usually required national governments to reform their pension systems with a view to pursuing fiscal stability essentially disappeared.

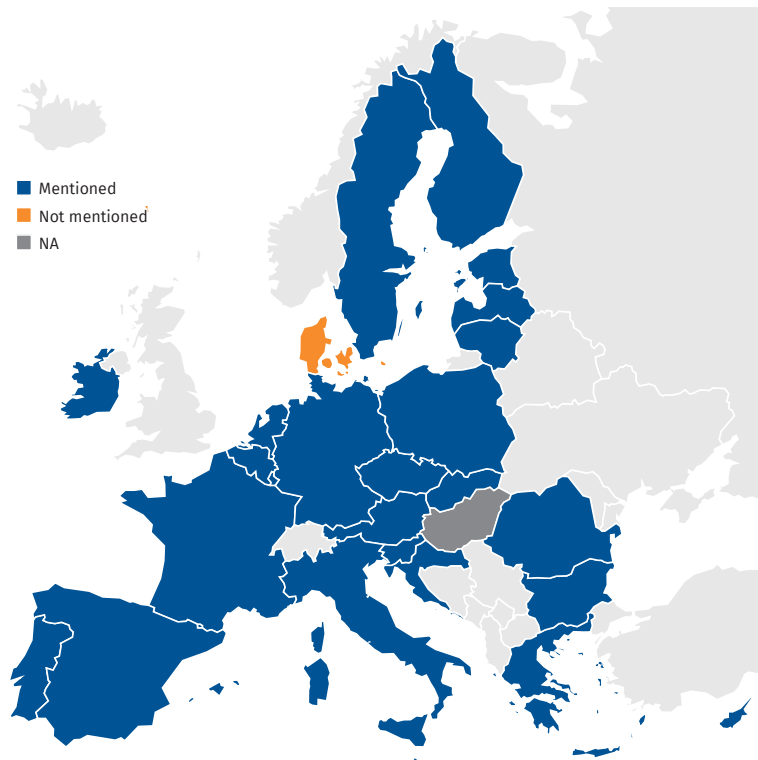
In 2021, no CSRs were adopted, as the overall governance system was radically reformed to integrate the launch of the Next Generation EU recovery strategy (Bekker 2022). At that time, national governments were busy submitting national recovery and resilience plans (NRRPs) to the Commission. Those plans outlined the reforms and investments that the Member States committed to carry out with European financial

Figure 2.18a Labour dimension in NRRPs: employment protection



Note: Panel shows mentions of initiatives and reforms which have an impact on the level of employment protection.
Source: Own elaboration.

Figure 2.18b Labour dimension in NRRPs: active labour market policy



Note: Panel shows mentions of active labour market policies.
Source: Own elaboration.

assistance (European Commission 2021b). In drafting their plans, national governments were required to consider the principles of the EPSR alongside a much more stringent set of requirements on digital transformation and ecological transition.

Supposedly meant to provide a stronger social dimension to the recovery strategy, it is worth recalling that the EPSR has a twofold objective vis-à-vis labour policies: promoting equal opportunities and access to the labour market (principles 1 to 4) and ensuring fair working conditions (principles 5 to 10), while principles 11 to 20 are dedicated to social protection and inclusion. However, a review of the measures that national governments have included in their NRRPs suggests that the labour market dimension has prevailed over working conditions, as is shown in Figure 2.18 (Petmesidou et al. 2022; Rainone 2022a).

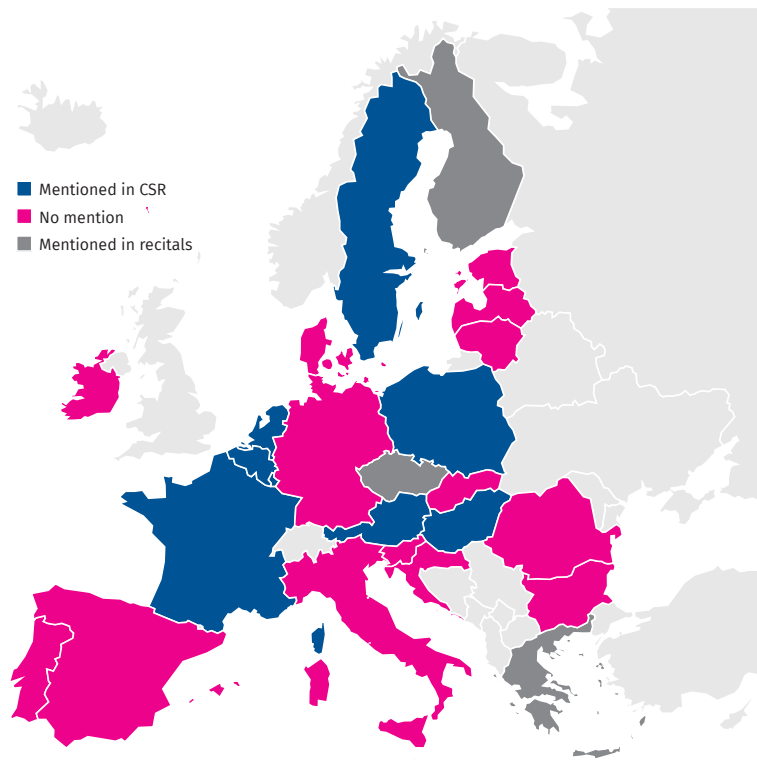
In essence, all countries introduced reforms to strengthen active labour market policies, while only four raised employment protection. This appears to be a serious shortcoming, especially in view of the large investments in the green and digital transitions that could also have been redirected to introduce enhanced labour protection in such fields (with regard to the opportunity missed in relation to health and safety standards in the context of the green transition, see Chapter 5). In some cases, the NRRPs included measures to ‘modernise’ labour protection (by making it more flexible). Curiously, Spain appears in both categories (Rainone 2022a).

A similar trend emerges from the 2022 CSRs, which were formulated in the light of the NRRPs. Focusing again on labour market aspects, there is an imbalance between the calls for measures to activate labour market participation and those to improve working conditions (Rainone 2022a).

Most notably, national governments have not been asked to increase wage levels to combat the increased cost of living due to inflation. While other EU policy instruments have provided guidance to national governments on how to mitigate higher energy costs (see Chapters 1 and 4), the lack of recommendations explicitly aimed at promoting purchasing power in relation to inflation is an indication that the scope of the CSRs is not yet holistic and that they are still stronger on fiscal and macroeconomic aspects. (Maccarrone et al. 2022).

Furthermore, in comparison with 2020, growth and public finance concerns are reappearing, bringing with them a new-found emphasis on

Figure 2.19a Labour dimension in CSRs: active labour market policy

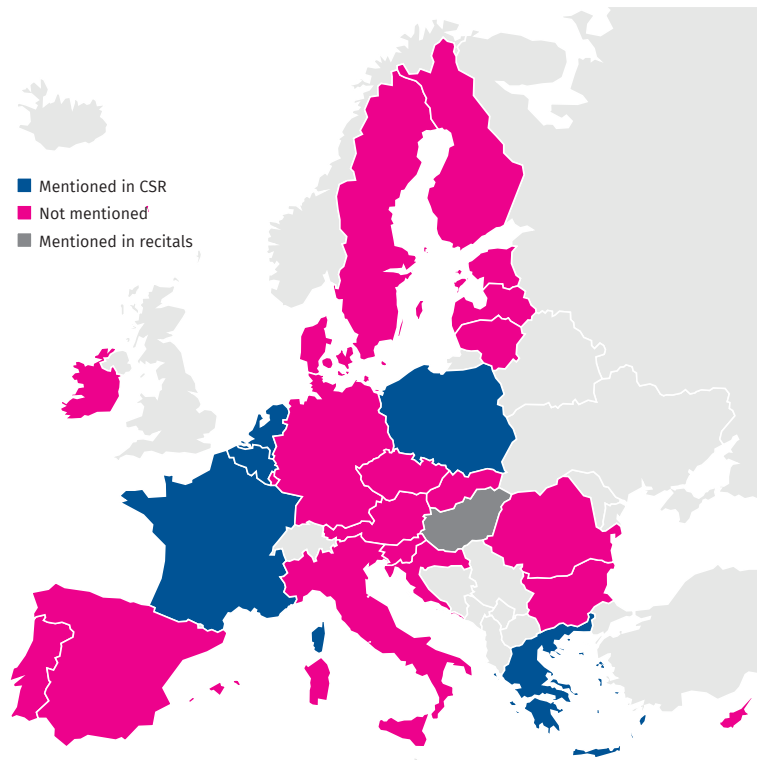


Note: Panel shows mentions of active labour market policies.
 Source: Own elaboration, differentiates between mentions in recitals and explicit mentions in CSRs.

restraining public social spending (especially pensions) (European Commission 2021a).

The 2022 CSRs therefore confirm that the influence of the principles of the EPSR on EU governance processes appears different depending on where one looks. The EPSR seems to be carefully considered and effective with respect to labour market policies. The impact on employment protection, with regard to which there are few and contradictory measures across the Member States, is a different matter.

Figure 2.19b Labour dimension in CSRs: working conditions



Note: Panel shows mentions of working conditions and social dialogue.
 Source: Own elaboration, differentiates between mentions in recitals and explicit mentions in CSRs.



The current crises pose severe risks in terms of cost of living and inclusivity of the labour market

Conclusion

The aim of this chapter has been to describe the major labour market trends and evolutions in Europe in 2021 and the first half of 2022. In 2020, the labour market was heavily impacted by the Covid-19 pandemic and the extensive government measures introduced to tackle this challenge. The impact of the pandemic and these government measures was very uneven, with workers in more precarious positions on the labour market – those on temporary contracts, the lower-educated, young people and especially those in frontline jobs requiring face-to-face contact with customers – being particularly hard hit (Zwysen et al. 2021; Eurofound 2022a; OECD 2022).

European labour markets weathered the Covid-19 pandemic fairly well in terms of employment. While inequality increased rapidly in the initial stages of the pandemic, gaps by education, age and gender seem to be closing again to some degree, although young people continue to be particularly vulnerable.

In the first half of 2022 at least, the rising demand for labour served to increase employment levels in most countries above pre-pandemic levels, with a greater recovery in higher-than-average paying and more attractive sectors. Accordingly, the Covid-19 crisis may have a silver lining if it improves conditions for some more deprived workers and leads to a greater push for job quality and wages.

However, the current crises pose severe risks in terms of cost of living and inclusivity of the labour market. The Russian invasion of Ukraine has also created a new refugee crisis in many European countries, particularly in the neighbouring region which has seen a large inflow of people seeking protection.

While these crises are ongoing, the labour market also faces structural changes due to the digital and green transitions, ever more intertwined global value chains, which also create some strategic weaknesses, and institutional shifts

that generally weaken workers' rights. In that vein, the proposal by the European Commission to push for adequate minimum wages and a relatively high coverage rate of collective agreements may be particularly timely.

This chapter has also discussed new forms of work, particularly with regard to the prevalence and regulation of platform work. While these are important on account of the longer-term influence that the organisation of labour platforms can have on the traditional labour market, the work of the ETUI has shown that reliance on platforms for labour is still relatively low across Europe. However, those who work on platforms generally endure worse working conditions and receive low pay. The European proposals on platform work are therefore significant in that they seek to address some of these disadvantages, particularly as regards the misclassification of workers.

Finally, this chapter has considered social policies and Member States' positions. While the European Pillar of Social Rights is, to some extent, well integrated into the recovery plans and the country-specific recommendations in respect of active labour market policies, this is far less the case in terms of support for working conditions, where they even sometimes go in the opposite direction. Although we have seen a shift across Europe towards greater support through minimum income schemes, the adequacy with which these measures protect the most vulnerable, particularly during the current cost-of-living crisis, is still at a rather low level.

There is a systematic issue that needs to be addressed however, as the European labour markets hop from crisis to crisis, with uncertainty rising for all workers and citizens. Consequently, there is a need to rethink and reimagine a 'Social Europe' that tackles the structural challenges facing the Member States and engenders greater equality.

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3. Wages and collective bargaining: fighting the cost-of-living crisis



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Topics

Introduction	79
Wage developments	80
Developments in minimum wages and collective bargaining	86
Strike activity	92
Conclusion	95



In view of the current cost-of-living crisis, timely implementation of the European Minimum Wage Directive would offer a powerful tool to help workers and their families maintain their purchasing power

Introduction

In the area of wages, collective bargaining and strikes, the main challenge of 2022 has been handling the cost-of-living crisis caused by an unprecedented increase in inflation. Prices had already started to increase in the second half of 2021 as a result of the combined effect of the economic recovery, supply-chain bottlenecks and a supply shortage of raw materials and basic inputs. The Russian invasion of Ukraine early in 2022 and the ensuing war exacerbated supply-chain tensions and increased inflationary pressures. The particularly high increase in energy and food prices eroded the purchasing power of a growing number of workers and their families, affected by a cost-of-living crisis in which they found it difficult to make ends meet. What is more, as discussed in Chapters 1 and 4 in this issue of *Benchmarking*, green and geopolitical transition processes and the quest for greater strategic autonomy in critical sectors and supply chains are likely to maintain inflationary pressures for some time to come. Against this background, one key focus of this chapter will be on the development of wages, minimum wages, collective bargaining and strike action under the challenging economic conditions of such high inflation. More specifically, the chapter will review how minimum wages and collective bargaining have been used to fight the cost-of-living crisis by safeguarding workers' purchasing power.

The second key focus will be on the (potential) implications of the European Directive on adequate minimum wages in the European Union (European Parliament and Council of the European Union 2022). Adoption of the European Minimum Wage Directive in October was the most important political development of 2022 in the field of wages and collective bargaining. It represents a paradigm shift in the EU's underlying view of wages and collective bargaining, as it is the first piece of EU legislation that has ever explicitly aimed at ensuring adequate minimum wages and strengthening collective bargaining (Müller and Schulten 2022). Let's recall that, in the context of the Great Recession of 2008-2009, the European Commission's DGECFIN praised the reduction of minimum wages, the decentralization of collective bargaining, the reduction of collective bargaining coverage and the general weakening of trade unions' wage-setting power as 'employment-friendly reforms' (European Commission 2012). The European Minimum Wage Directive's dual objective of ensuring adequate minimum wages and strengthening collective bargaining points precisely in the opposite direction. This is also important in the context of the cost-of-living crisis, as the Directive is explicitly aiming to strengthen two tools that play an essential role in combatting the cost-of-living crisis. Against this background, this chapter will review, first, how the Directive has already influenced minimum wage setting and, secondly, its potential future implications for minimum wages and collective bargaining.

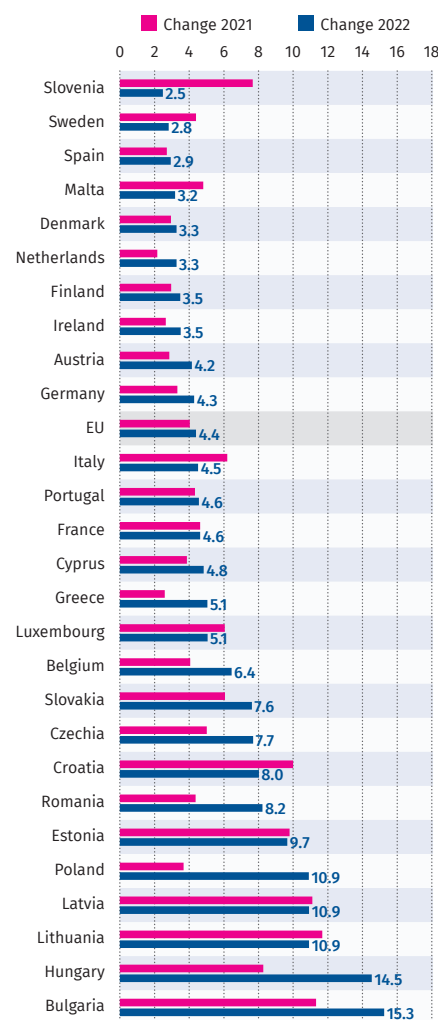
Wage developments

Although all employees have been hit by the surge in inflation, it is important to recognise that not all countries, sectors and groups of employees have been affected to the same extent. Inflation has varied considerably across the EU depending on the respective Member State's energy mix and, therefore, its exposure to different energy sources, its degree of integration into the world market and its dependence on international supply chains (Schrooten 2023). Furthermore, the effect of inflation has been much stronger in the energy-intensive manufacturing and transport sectors than in certain service sectors, for instance (European Commission 2022). Finally, low-wage earners have been much harder hit by inflation than employees higher up the pay scale, because they tend to spend a higher share of their income on energy, food and other essential goods and services, where price rises are greater than for other, non-essential items (ILO 2022). These factors all influence the outcomes of wage bargaining.

Another important factor is the extent of state support for workers and households, intended to mitigate their loss of purchasing power. In all EU countries, governments have introduced different kinds of supporting measures, such as direct transfers or tax reductions that complemented wage policies. In addition, governments have taken regulatory measures to contain prices, such as placing price caps on energy costs or reducing energy-related taxes (European Commission 2022). Such increased state support eases the pressure on wage policies to compensate for the loss of purchasing power.

Figure 3.1 shows the development of nominal compensation per employee and demonstrates that, in the majority of countries, nominal compensation grew more strongly than in 2021. However, Figure 3.1 also highlights marked differences across the EU, ranging from increases of below 3% in Slovenia, Sweden and Spain to substantial increases of over 10% in Poland, Latvia, Lithuania, Hungary and Bulgaria. To a large extent, differences in the growth of nominal compensation reflect national differences in inflation: the five countries with the highest growth in nominal compensation all had an average annual inflation rate above 10% (Eurostat 2023a).

Figure 3.1 **Development of nominal compensation* in 2021 and 2022 (change in % compared with previous year's)**

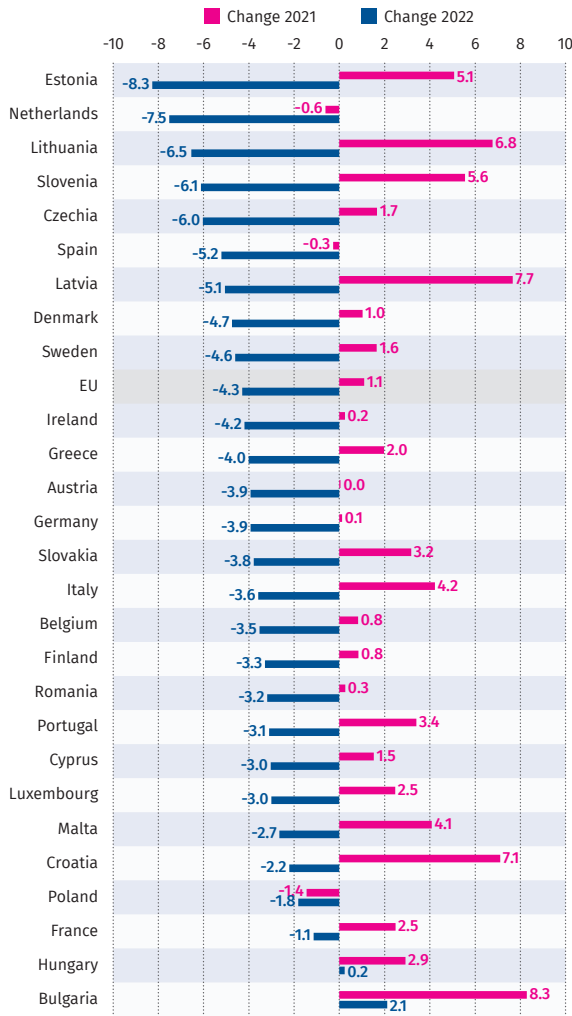


Note: * Nominal compensation per employee: total economy (national currency).
Source: AMECO database (HWCDW), 15 December 2022.

Historic drop in real compensation

Figure 3.2 shows the development of real compensation per employee, demonstrating that the more dynamic increases in nominal compensation were not enough to offset employees' loss of purchasing power. The only exceptions were Hungary and Bulgaria, with increases in real compensation of 0.2% and 2.1% respectively. In all other EU countries, employees faced a historic drop in real compensation ranging from under 2% in Poland and France to 6% or more in Czechia, Slovenia, Lithuania, the Netherlands and Estonia. The

Figure 3.2 Development of real compensation* in 2021 and 2022 (change in % compared with previous year's)



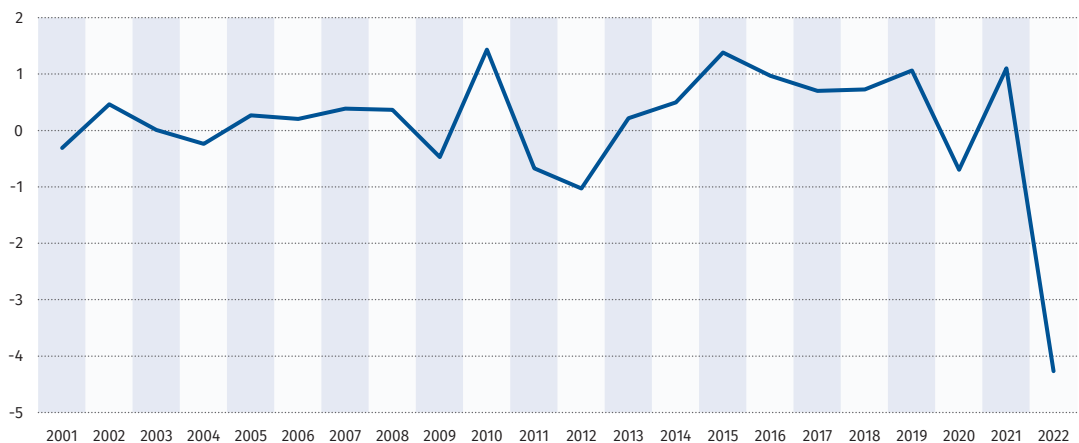
Note: * Nominal compensation deflated by annual average change in HICP. As real compensation represents the purchasing power of compensation i.e. the ratio of nominal compensation to prices, real compensation has been calculated using the following formula: nominal compensation index multiplied by 100 divided by consumer price index (for more details, see WSI Tarifarchiv 2023). Source: AMECO database (HWCDW), 15 December 2022 for nominal compensation; Eurostat (2023a) for HICP, 15 December 2022.

unusual scale of the drop in real compensation of 4.3% in the EU is illustrated in Figure 3.3 which shows the development of real compensation per employee in the EU for the last 20 years.

This historic drop in real wages must be viewed against the backdrop of the unprecedented challenges for collective bargaining posed by inflation in 2022. First of all, the drop in real wages reflects the fact that, in the light of the surge in inflation, all countries pursued a mix of policies that combined nominal wage increases with public support measures intended to mitigate the negative effects of inflation on consumers. In many instances, this included the payment of a one-off inflation premium by the state – an acknowledgement of the fact wage policy alone cannot fully compensate for loss of purchasing power. The technical details of previous and current collective agreements represented another factor contributing to the drop in real wages. An analysis of collective agreements in a selected number of countries – based on the ETUI's Collective Bargaining Newsletter (ETUI 2023) – reveals that, in many sectors and/or countries, no negotiations took place in 2022, as long-term collective agreements had been concluded in previous years. These earlier agreements tended to provide smaller wage increases. Furthermore, payment of the significantly higher wage increases that have been negotiated in 2022 is often delayed until 2023 following a one-off inflation bonus.

Further key trends in wage bargaining during 2022 have included, first, taking into account the specific needs of low-wage earners, many agreements combined structural percentage increases and fixed minimum lump-sum increases to ensure a disproportional percentage increase for lower wage groups.

Figure 3.3 Development of real compensation* (EU, 2001-2022)



Note: * Nominal compensation deflated by annual average change HICP. As real compensation represents the purchasing power of compensation; i.e. the ratio of nominal compensation to prices, real compensation has been calculated using the following formula: nominal compensation index x 100 divided by consumer price index (for more details, see WSI Tarifarchiv 2023). Source: AMECO database (HWCDW), 15 December 2022 for nominal compensation; Eurostat (2023a) for HICP, 15 December 2022.

Second, the duration of agreements is often longer than usual, in order to give employers some security in forward planning: in some instances, however, these include a clause allowing negotiations to be recommenced if conditions change dramatically. Third, in many instances, additional allowances such as shift- and nightwork bonuses, food subsidies and Christmas and holiday allowances have risen, on top of structural increases in basic pay. Fourth, public sector agreements in Austria and Portugal have made better provision for career advancement, with pay grade reclassification following training, which has given workers help additional to the agreed pay increases (ETUI 2023).

Profit-price spiral, not wage-price spiral

Against the background of the accelerated increase in nominal wages in 2022, employers frequently warned of the dangers of a ‘damaging wage-price spiral’ (BusinessEurope 2022: 13) and called on the bargaining parties to act responsibly in wage negotiations. A look at the key drivers of inflation in the EU illustrates that current price increases have not been driven primarily by demand-side factors – and by wage developments in particular – but by various supply-side shocks. The importance of supply-side factors is confirmed by the European Central Bank’s shock decomposition analyses, which see the risks of a wage-price spiral as being contained (Schnabel 2022a).

In assessing the impact of wage developments on inflation, use of negotiated wages as a measure of the outcome of collective bargaining processes provides an important indicator. They give a more accurate picture of underlying wage developments because they are less affected by developments in hours worked and government

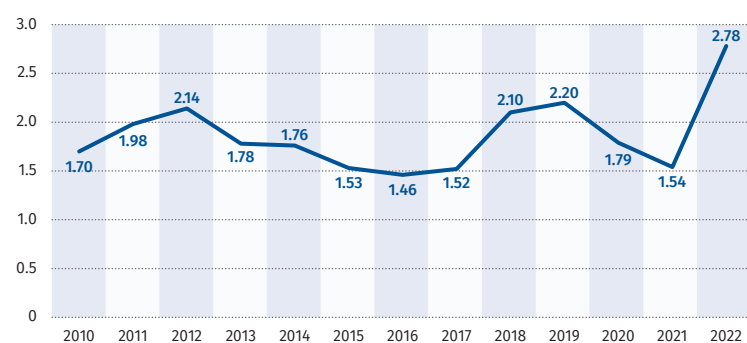
subsidies (Bodnár et al. 2022). Figure 3.4 shows the development of negotiated wages in the euro area for the past 10 years, demonstrating that negotiated wages increased only modestly in 2022 and stayed well below the average annual rate of inflation (Eurostat 2023a) – despite an increase compared with 2021.

Research from the Economic Policy Institute has shown that corporate profits in the US have contributed disproportionately to inflation (Bivens 2022). More than half of the increase in inflation between 2020 and 2021 can be attributed to increased profits, while labour costs accounted for under 10% – historically, the relationship was more or less the other way round (Bivens 2022). ECB analyses for the EU show a similar trend since the fourth quarter of 2020, concluding that ‘profits have recently been a key contributor to total domestic inflation above their historical contribution’ (Schnabel 2020b). Against this background, it is more appropriate to speak of a profit-price spiral than of a wage-price spiral. The key driving force of this ‘greedflation’ (Wixforth and Haddouti 2022) is the increased pricing power of companies in a situation where bottlenecks in global supply chains severely disrupted the process of reopening economies after the Covid-19 pandemic. This has enabled companies in some sectors (especially in internationally exposed sectors such as industry and agriculture) to exploit their oligopolistic market position and raise prices far beyond what is needed to offset higher input and production costs (Wixforth and Haddouti 2022). As a consequence, corporate profits in the EU increased in 2022, while at the same time workers suffered a historic drop in real wages (ETUC 2022). Furthermore, the increase in corporate profits was accompanied by a sharp rise in dividend payments (Allenbach-Ammann 2022).

These developments illustrate that many firms actually gained from the surge in inflation and that the fortunes of business and households have diverged (Schnabel 2022b). In a nutshell, workers have borne the brunt of current inflation shocks. The rise in corporate profits and dividend payments, however, also confirms one of the European Commission’s main conclusions in its most recent report on labour market and wage developments in Europe: ‘there is room for wage increases, especially for low wages’ (European Commission 2022: iii).

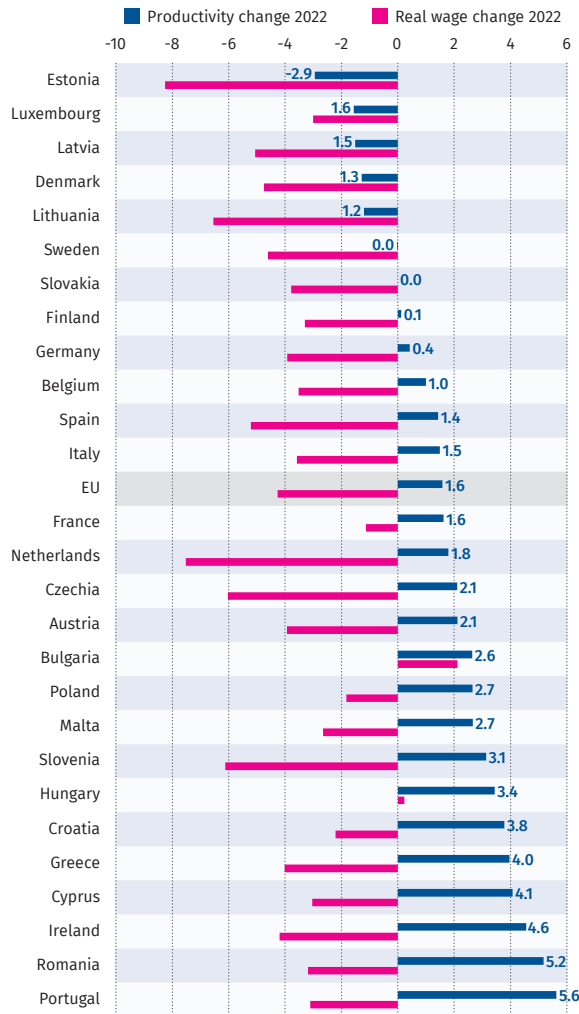
The divergent implications of current inflation for businesses and for workers have far-reaching consequences for inequality and income distribution in the EU. One way to assess the distributional impact of wage developments is

Figure 3.4 Development of collectively agreed wages in the euro area (annual rate of change; 2010-2022*)



Note: * Data for 2022 = average of first three quarters.
Source: ECB Indicator of negotiated wage rates.

Figure 3.5 Development of labour productivity* and real wages in 2022



Note: * Gross domestic product per person employed.
Source: AMECO database (RVGDE), 15 December 2022.

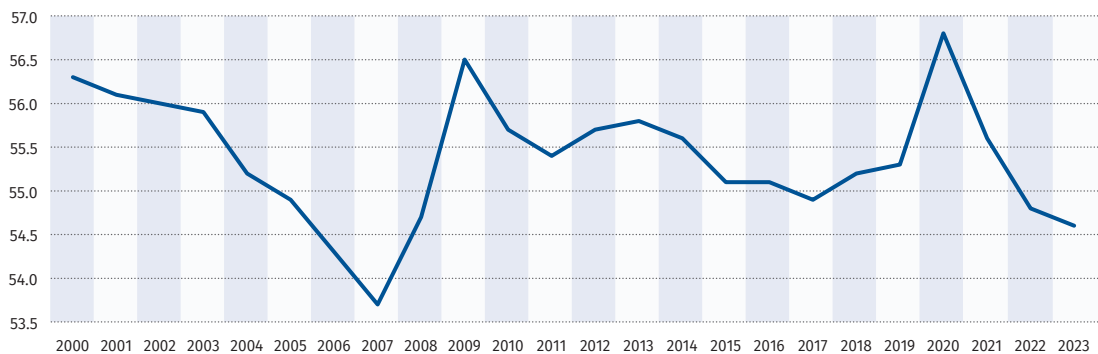
to compare the development of real wages and the development of labour productivity. If real wages develop in line with labour productivity, wage growth not only compensates for inflation but is also distribution-neutral, in the sense that the distribution of income between capital and labour stays the same. Figure 3.5 shows that, across all EU countries, only in Bulgaria has the development of wages come even close to distributional neutrality. In all the other Member States, current inflation has led to a substantial redistribution of income from labour to capital.

This is confirmed by Figure 3.6, which indicates the sharp decline in the wage share across the EU, showing the share of national income accounted for by labour compensation in the form of wages, salaries and other benefits. The fact that the wage share in 2022 was below its pre-pandemic level demonstrates that workers did not benefit from the economic recovery and the strong rise in business profits. As a redistributive measure, some EU Member States – such as Bulgaria, Czechia, Hungary, Italy, Romania and Spain – have introduced a windfall or excess-profit tax in order to increase their room for manoeuvre in supporting those workers and households hardest hit by inflation.

Wage inequality

The fact that current inflation weighs more heavily on lower income groups (ILO 2022; OECD 2022a) poses the risk of ‘inflation inequality’ translating into growing income inequality. Wage inequality in Europe is generally below that in other advanced economies, but current developments are driving wages further apart. Cross-national studies have shown that wage inequality is increasing primarily between firms and workplaces, reflecting the fact that firms have greater wage-setting power than workers: as productivity or profitability diverges between workplaces, this translates into greater

Figure 3.6 Development of wage share in the EU* (2000-2023)



Note: * Adjusted wage share in percentage of GDP at current market prices; figures for 2023 are forecasts.
Source: AMECO database (ALCDO), 15 December 2022.

inequalities between workers (Crisciuolo et al. 2020; Tomaskovic-Devey et al. 2020; Zwysen 2022). Such trends mean that where someone works becomes all the more important and that there is a risk of greater polarisation between those with better conditions at higher-paying firms and those working under worse conditions for lower-paying firms, who are often already more vulnerable.

Increased wage inequality arises partly under pressure from macroeconomic trends such as technological change and globalisation, which widen differences between more highly-skilled people working on complex, abstract tasks and those doing manual or routine work, who are more easily replaceable (Autor et al. 2003; Michaels et al. 2013; Zwysen 2022). On the other hand, there are strong institutional factors that strengthen workers' bargaining position and can be especially helpful to those nearer the bottom of the wage distribution: these include, in particular, strong trade unions, strong and widely applicable collective agreements and relatively high minimum wages that guarantee an adequate wage for all. However, as trade union density and collective bargaining coverage decline, so do the wage benefits they provide to workers and their positive impact in reducing inequality (Zwysen and Drahokoupil 2022).

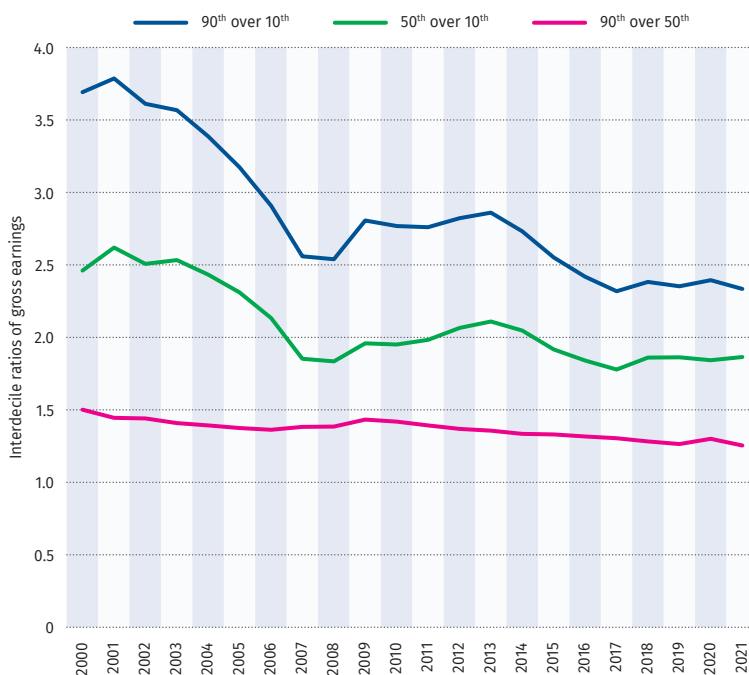
It seems that the strong actions taken by governments to support lower-income

households and to protect employment during the pandemic resulted in a reduction of income inequality, at least initially (OECD 2021). On top of that, the jobs that were lost tended to be the lower-wage ones which results in a more compressed wage distribution. The long-term effects of this still remain to be seen, especially with the current cost-of-living crisis.

Figure 3.7 shows the overall trend in the spread of average gross earnings across EU countries over time. Importantly, wage inequality declined strongly from 2000 to the Great Recession, particularly as the lower-paid Member States (the bottom half) caught up. While there was little change during the Great Recession – due to rising inequality in average earnings in the lower half – there was a further narrowing from 2013 onwards. While average earnings in one of the highest-paid Member States are still 2.5 times higher in terms of purchasing power than average earnings in one of the lowest-paid Member States, there has been substantial convergence.

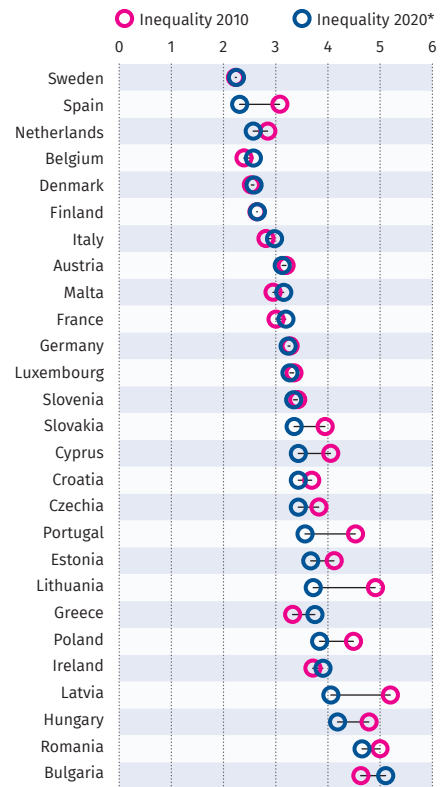
Figure 3.8 shows estimated inequality in gross earnings from 2010 to 2020 by Member State. First, there are sizeable differences between countries, with inequality being highest on

Figure 3.7 Wage inequality between EU Member States (2000-2021)



Note: Based on the 90th to the 10th percentiles of average gross earnings in 22 EU Member States (excluding BG, CY, HR, MT and RO) in US dollar purchasing power parities. Source: OECD.Stat.

Figure 3.8 Change in inequality in hourly real wage (P90/P10) from 2010 to 2020



Note: Inequality (ratio of the 90th to the 10th percentile on hourly wage) by country. * Most recent year generally 2020; for BE, IE, IT and MT: 2019; for LU and SI: 2018. Source: OECD.Stat.

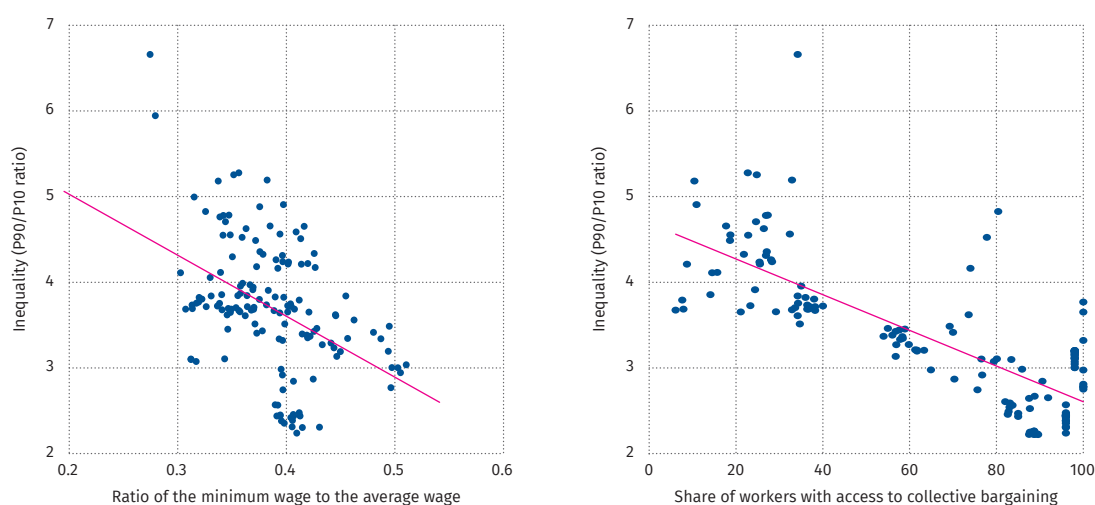
average in Bulgaria, Romania, Hungary, Latvia and Ireland, and lowest in Sweden, Spain, the Netherlands, Belgium, Denmark and Finland. Secondly, inequality declined in 16 of the 27 EU Member States and remained more or less stable in two more countries, while increasing in nine of the EU Member States. Inequality rose markedly in Greece and Bulgaria, while it declined substantially in Latvia, Lithuania, Portugal and Spain. Overall, in most countries, inequality actually declined or remained stable.

Figure 3.9 contrasts levels of earnings inequality in European countries with two important factors that contribute to a more equal spread of

wages: the bite of the minimum wage, expressed as the ratio of the statutory minimum wage to the average wage (left) and access to collective bargaining (right). Both have a strong negative association with overall earnings inequality, with a correlation coefficient of -0.44 and -0.77 respectively.

When looking more specifically at changes over time, it is also clear that more impactful minimum wages and greater collective bargaining coverage – particularly through multi-employer bargaining – are associated with lower levels of wage inequality (Zwysen 2022).

Figure 3.9 **Link between gross earnings inequality and minimum wage (left) or collective bargaining (right)**



Note: The figure shows (i) the relationship between the ratio of the 90th to the 10th percentile of gross earnings and the ratio of the minimum wage to the average wage (left); (ii) the share of workers with access to collective bargaining (right), EU Member States, 2010-2020. Source: OECD.Stat.

Developments in minimum wages and collective bargaining

The Minimum Wage Directive as a paradigm shift

Increasing minimum wages and strengthening collective bargaining are key tools in dealing with the current cost-of-living crisis, since they both support workers' purchasing power – in particular, that of low-wage earners. In both respects, the recently adopted European Directive on Adequate Minimum Wages in the European Union (European Parliament and Council of the European Union 2022) is a game changer. As regards its underlying view of the role of wages and collective bargaining, the European Minimum Wage Directive represents a paradigm shift: appropriate minimum wages and comprehensive collective bargaining systems are no longer seen as obstacles to economic growth. On the contrary, they are regarded as key institutional prerequisites for a sustainable and inclusive economy (Müller and Schulten 2022).

The Minimum Wage Directive is not about setting a uniform minimum wage level across Europe, but about specifying certain criteria to ensure adequate minimum wages at national level. Article 5(2) lists four criteria that Member States must take into account when setting statutory minimum wages: (a) the purchasing power of statutory minimum wages, taking into account the cost of living; (b) the general level of wages and their distribution; (c) the growth rate of wages; and (d) long-term national productivity levels and developments. Member States are to formulate transparent rules for setting minimum wages, but they are free to decide on the relative weight of these criteria.

However, the most important provision for setting national minimum wages is Article 5(4), which states that Member States may be guided by indicative reference values when assessing the adequacy of statutory minimum wages, using internationally recognised indicators such as 60% of the gross median wage and 50% of the gross average wage. Thus the Directive establishes de facto a double 'decency

threshold'. Although this threshold is not legally binding, it represents a strong normative benchmark for setting minimum wages at national level.

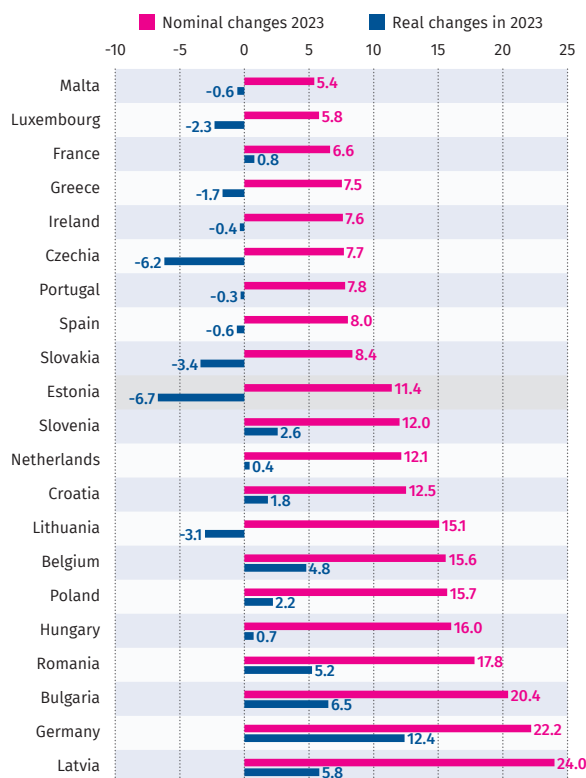
To strengthen collective bargaining, the Directive also contains various provisions aimed at strengthening the role of trade unions. For example, Article 3(3) explicitly confirms that collective bargaining is the prerogative of trade unions. In addition, Article 4(1) guarantees the right to collective bargaining and protects workers and their representatives who participate (or wish to participate) in collective bargaining from discrimination.

Article 4(2) obliges Member States with collective bargaining coverage below 80% to establish national action plans that contain a clear timetable and concrete measures to gradually increase collective bargaining coverage. These plans must be drawn up in cooperation with the social partners, reviewed regularly and updated at least every five years. In addition, Article 9 of the Directive calls on Member States, when awarding public contracts and concessions, to also take into account criteria that guarantee basic trade union rights and compliance with collective bargaining standards.

Statutory minimum wages in the EU

Against this background, it is evident that, particularly in view of the current cost-of-living crisis, timely implementation of the Directive would offer a powerful tool to help workers and their families maintain their purchasing power. The important role of minimum wages in this respect is illustrated by Figure 3.10, which shows that, in 2022, many countries substantially increased statutory minimum wages to support low-wage earners. In many EU countries, nominal minimum wages increased far beyond the nominal increase in overall wages – taking into account the specific needs of low-wage earners in times of high inflation.

Figure 3.10 **Development of hourly nominal and real minimum wages in 2023* (in %, 1 January 2022-1 January 2023)**



* Note: Calculation based on national currencies. The development of real minimum wages refers to changes in nominal minimum wages deflated by HICP annual average changes. Since real minimum wages represent the purchasing power of minimum wages – i.e. the ratio of nominal minimum wages to prices – real minimum wages have been calculated using the following formula: nominal minimum wage index multiplied by 100 divided by consumer price index (for more details, see WSI Tarifarchiv 2023).
Source: WSI Minimum Wage Database (WSI 2023) and own data.

As regards the development of nominal statutory hourly minimum wages, three broad groups of EU Member States can be distinguished. The first group consists of eight countries with an increase of between 5% and 10%, ranging from Malta (5.4%) and Luxembourg (5.8%) to Spain (8%) and Slovakia (8.4%). The second group consists of four countries with an increase of between 10% and 13%, ranging from Estonia (11.4%) to Croatia (12.5%). The group with the largest increase, of between 15% and 24%, consists of eight countries. Lithuania (15.1%) and Belgium (15.6%) are at the bottom of this group, while the largest increases took place in Germany (22.2%) and Latvia (24%). Six of the eight countries in this group are in central and eastern Europe (CEE), demonstrating that the trend of minimum wage convergence between CEE countries and western European countries has continued throughout 2022. The presence of Belgium and Germany in this group can be attributed to specific factors. The substantial increase in Germany is the result of a June 2020 government decision to raise the minimum wage in steps, to reach 12 euros an hour by October 2022. In line with this, the minimum wage in Germany

was increased to 10.45 euros on 1 July 2022 and to 12 euros on 1 October 2022. But this was an exceptional structural increase, and no changes were introduced to the process for setting the minimum wage. Therefore, future increases will follow the usual procedure, applying the recommendations of the minimum wage commission, which are strongly determined by the development of collectively agreed wages.

The substantial minimum wage increase in Belgium is a result of wage indexation, which links the development of minimum wages to the development of prices. Usually, there is an automatic adjustment of the minimum wage when the consumer price index has risen by over 2% since the last increase. As a consequence of the sharp rise in inflation, there have been six minimum wage increases in 2022 – from 1691.40 euros per month on 1 January 2022 to 1954.99 euros per month on 1 December 2022, when the last adjustment took place.

In the majority of EU countries, minimum wages are usually adjusted annually on 1 January. In the light of inflation, Belgium was not alone in introducing further adjustments during 2022. Additional updates to take account of the surge in inflation have also been introduced in France (May and August) and Luxembourg (April), both of which also have a minimum wage indexation system, and in the Netherlands, where minimum wages are normally adjusted on 1 January and 1 July of each year.

Fall in real minimum wages in many countries

In the light of high inflation, in 10 countries – almost half of the Member States with a statutory minimum wage – the nominal minimum wage increases were not enough to safeguard minimum wage earners' purchasing power. The fall in real hourly minimum wages ranges from marginal in Portugal (-0.3%), Ireland (-0.4%), Malta (-0.6%) and Spain (-0.6%) to very substantial in Czechia (-6.2%) and Estonia (-6.7%). By the same token, the increases in real hourly minimum wages range from under 1% in the Netherlands (0.4%), Hungary (0.7%) and France (0.8%) to almost 6% or more in Latvia (5.8%), Bulgaria (6.5%) and Germany: the last being the outlier, with an increase in real minimum wages of 12.4%.

These substantial differences in the development of nominal minimum wages had an impact on the ranking of countries in terms of the absolute level of statutory minimum wages. Traditionally,

three broad groups of Member States can be distinguished as regards the absolute level of minimum wages: a group of six western European countries with the highest minimum wages, a small group of countries with minimum wages between 5 and 7 euros an hour, and a large group of exclusively southern European and CEE countries with minimum wages below 5 euros an hour. The top group still consists of the same six western European countries, led by Luxembourg with an hourly minimum wage of 13.80 euros. However, due to its extraordinary nominal increase of 22%, Germany leapt up from sixth to second position, with a minimum wage of 12 euros an hour. At the bottom of this top group are France (11.27 euros) and Ireland (11.30 euros). In the middle group of countries with a minimum wage between 5 euros and 7 euros, Slovenia and Spain, which in 2021 were the only ones in this group, have been joined by Cyprus (5.70 euros) and Lithuania (5.14 euros). Cyprus is a notable case because it has changed its mechanism for setting minimum wages from a system of negotiated minimum wages to a system of statutory minimum wages, whereas statutory minima had previously existed only for a limited number of occupational groups (Schulten and Müller 2020). However, with effect from 1 January 2023, Cyprus has introduced a

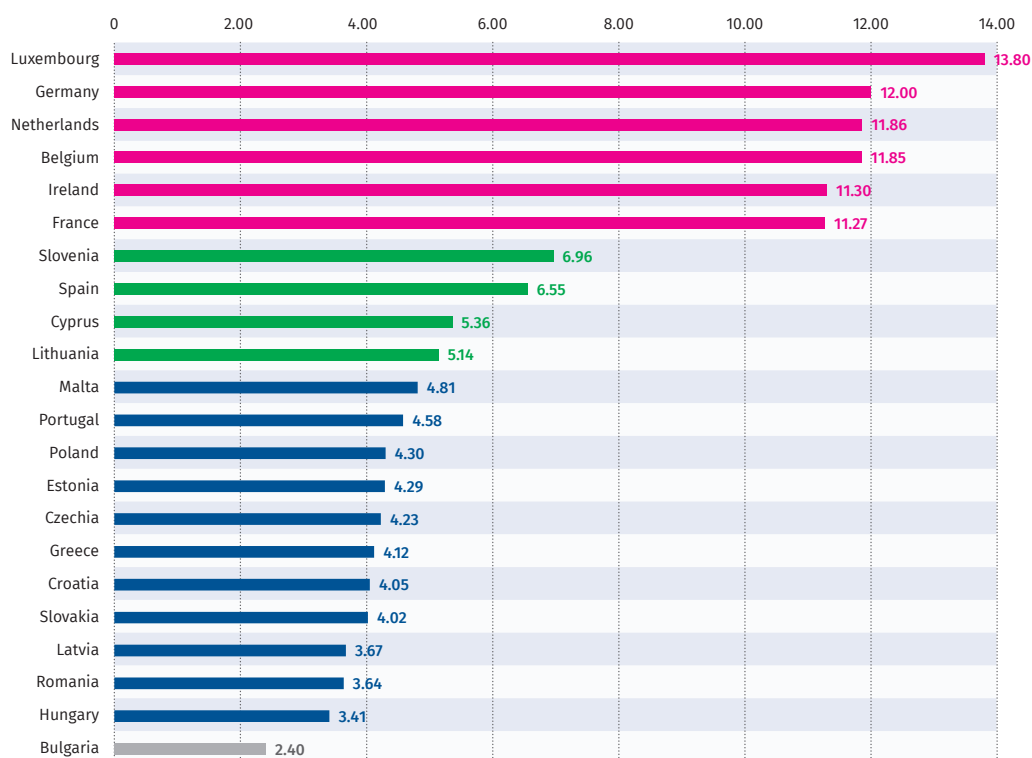
general statutory minimum wage of 940 euros per month, which – based on a 38-hour-week and 165 working hours per month – represents an hourly minimum wage of 5.70 euros.

The group with the lowest hourly statutory minimum wages (below 5 euros) is still the largest group, ranging from Bulgaria (2.40 euros), Hungary (3.41 euros) and Romania (3.64 euros) to Portugal (4.50 euros), Malta (4.81 euros) and Poland – the new frontrunner of this group with 4.87 euros. In Greece, Portugal and Spain, the minimum wage is paid 14 times a year. In Figure 3.11, the minimum wage for these three countries has been converted to 12 payments. If the full 14 payments were taken into account, the hourly minimum wage would be 7.64 euros in Spain, 5.34 euros in Portugal and 4.81 euros in Greece.

Statutory minimum wages in purchasing power standards

Measuring statutory minimum wages in purchasing power standards is a way of taking into account the considerable variation in the actual cost of living across the EU. According to Eurostat calculations (2023c), the general price

Figure 3.11 Statutory national minimum wages in the EU (per hour, in euros, January 2023)



Notes: In those countries where minimum wages are set on a monthly (or, in Malta, weekly) basis, the amount has been converted into hourly rates based on the average collectively agreed number of working hours per month as provided by Eurofound (2022). For non-euro countries, the national currency has been converted using the average annual exchange rate for 2022 (Eurostat 2023b). For Greece, Portugal and Spain, where the minimum wage is usually paid 14 times a year, the figure refers to 12 payments a year.
Source: Authors' own compilation based on national sources and WSI Minimum Wage Database (WSI 2023).



Minimum wages in the EU not only converged nominally but also in terms of their relationship to the actual cost of living

level in Luxembourg in 2021 was about 44% above the average for the EMU, while in Croatia it was 37% below the average (Lübker and Schulten 2023). In order to take into account differences in the cost of living between EU Member States, the WSI minimum wage database also shows the value of minimum wages in purchasing power standards (PPS) on a euro basis (WSI 2023). Since there is always a time lag in calculating PPS conversion factors, the data in Figure 3.12 is based on the PPS for private consumption in 2021.

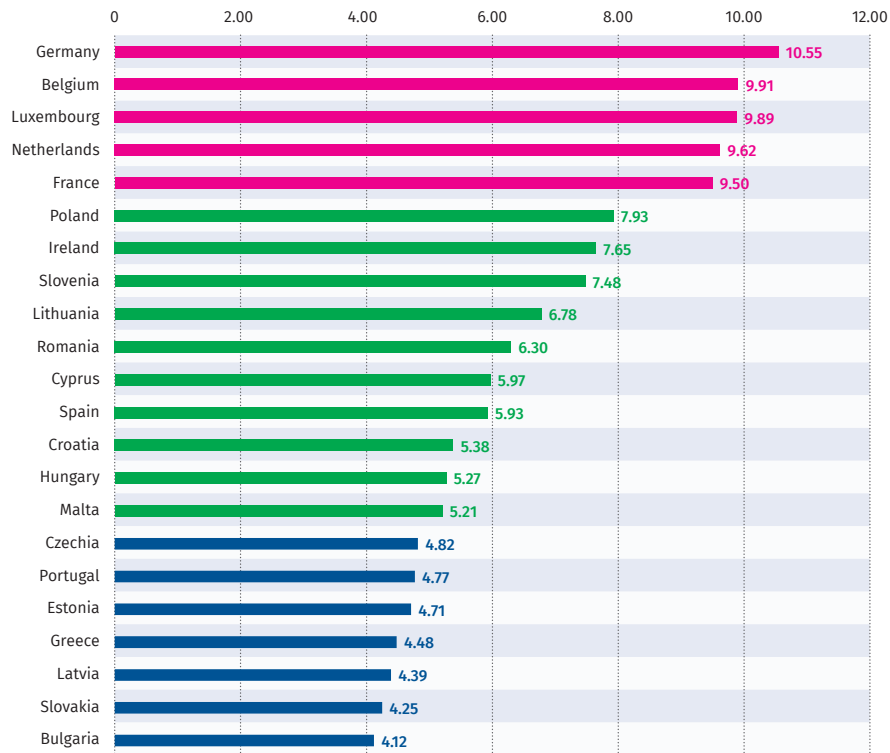
Figure 3.12 demonstrates that measuring statutory minimum wages in PPS considerably reduces the gap between EU Member States – and in particular between western European and CEE countries. Whereas the ratio between the highest and lowest nominal minimum wages is 1:5.73, this ratio is more than halved – to 1:2.56 – when minimum wages are measured in PPS. Expressing the value of statutory minimum wages in PPSs demonstrates that minimum wages in the EU not only converged nominally but also in terms of their relationship to the actual cost of living. In 2015, for instance, the ratio between the highest and the lowest statutory minimum wage in the EU, measured in PPS, was 1 to 3.93 (Schulten 2015).

What is more, Figure 3.12 shows that taking into account the actual cost of living considerably changes the order of countries as regards the value of their minimum wages. For example, Bulgaria (4.12 PPS), Hungary (5.27 PPS) and Croatia (5.38 PPS) have significantly higher minimum wages when measured on a PPS basis, whereas, in countries such as Luxembourg (9.89 PPS) and Ireland (7.65 PPS), the comparatively higher cost of living has a negative impact on the value of the minimum wage. Germany replaces Luxembourg at the top of the ranking as a consequence of its comparatively lower cost of living, even though the nominal minimum wage in Germany is considerably lower than in Luxembourg.

The normative force of the Directive

The absolute level of minimum wages also says little about whether they are adequate in the sense of being sufficient to ensure a decent living. Measured against the double decency threshold of 60% of the median and 50% of the average wage set out in the European Minimum Wage Directive, Figure 3.13 demonstrates that

Figure 3.12 Purchasing power of statutory minimum wages (per hour, PPS on euro basis*, 1 January 2023)



Note: Conversion to PPS on a euro basis, using purchasing power parities for private consumption reported by the World Bank for 2021. Source: WSI Minimum Wage Database; Lübker and Schulten 2023.

according to data from the OECD earnings database (OECD 2022b) in 2021 only Slovenia fulfilled the criteria for adequate minimum wages. In all the other Member States, minimum wage increases – in some cases, substantial ones – would be needed to establish adequate minimum wages. It should be emphasised that the OECD database provides data only up to 2021, so any substantial minimum wage increases of 2022 have not yet been taken into account in measuring the relative value of minimum wages.

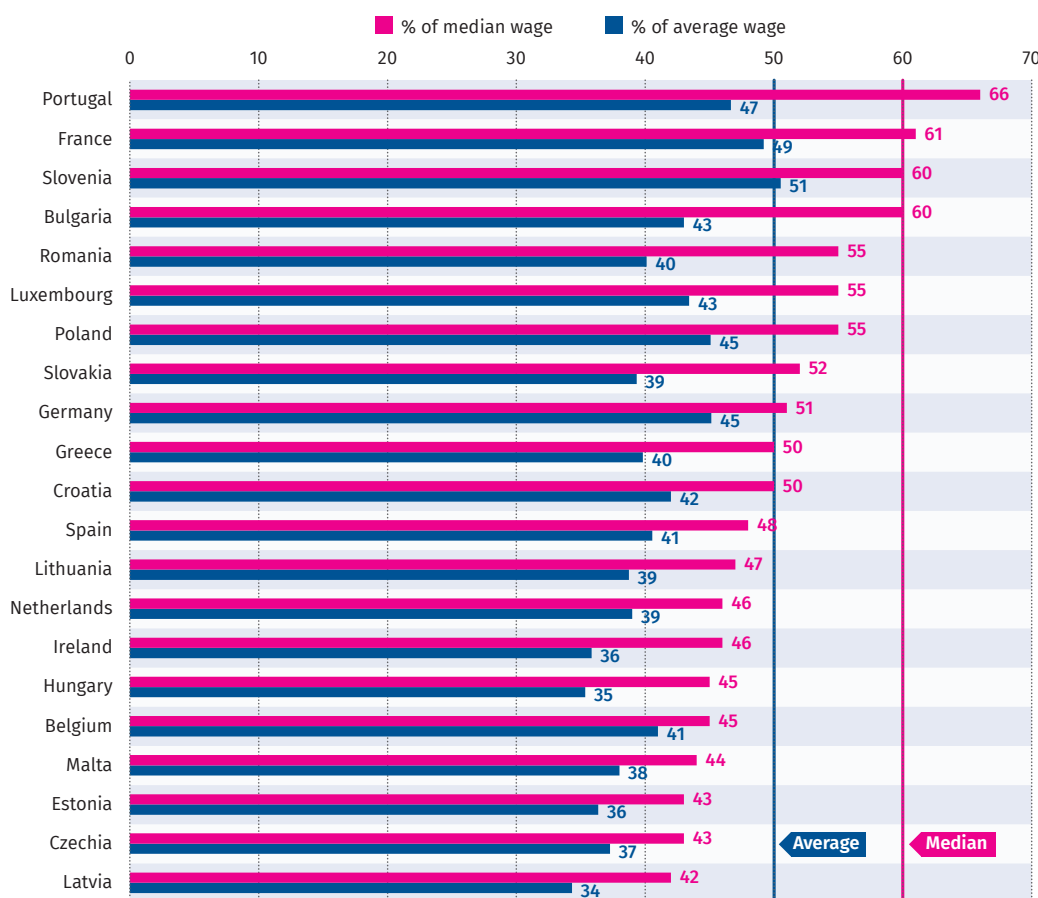
Even though EU Member States still have two years to transpose the Directive into national law, the orientation of national statutory minimum wages towards national median and/or average wages is already playing an important role. For example, Slovakia's current minimum wage law provides for the minimum wage to be set at 57% of the average wage if employers and trade unions do not agree on a different minimum wage level. In Spain, the government has committed to raising the minimum wage to 60% of the average wage by 2023. In Germany, one justification for the increase to 12 euros was that this would bring the minimum wage significantly closer to a level of 60% of the national median wage (Müller and Schulten

2022). Finally, in Cyprus, the level of the newly introduced statutory minimum corresponds to 60% of the national median wage (European Commission 2022).

The example of Austria, where minimum wages are set by collective agreements, illustrates that the impact of the Directive may also influence discussions in countries that do not have a statutory minimum wage, even though the Directive's provisions on the adequacy of minimum wages do not apply to them. In order to safeguard the purchasing power of employees across all sectors, in the autumn 2022 bargaining round, Austrian trade unions agreed a new minimum wage target of 2000 euros per month. This target roughly corresponds to the Directive's definition of adequate minimum wages (Müller and Schulten 2022).

Furthermore, even before the Directive was formally adopted, some European countries announced the need for immediate action on their own national minimum wage regulations. In Belgium, the Minister of Employment announced that the Belgian minimum wage did not meet European standards and would have to be raised to 12 euros an hour in order to reach the

Figure 3.13 Minimum wage as % of full-time median and average wages (2021)



Source: OECD earnings database (OECD 2022b). For Bulgaria, Croatia and Malta: data from 2018 (European Commission 2020).

target of 60% of the median wage (Carter 2022). In the Netherlands, the trade union federation FNV called on the government to raise the minimum wage to 14 euros an hour in order to meet the targets of the European Minimum Wage Directive (FNV 2022). Finally, in Ireland, the government has announced that it will gradually raise the minimum wage over the next four years to a living wage level equivalent to 60% of the Irish median wage (Government of Ireland 2022).

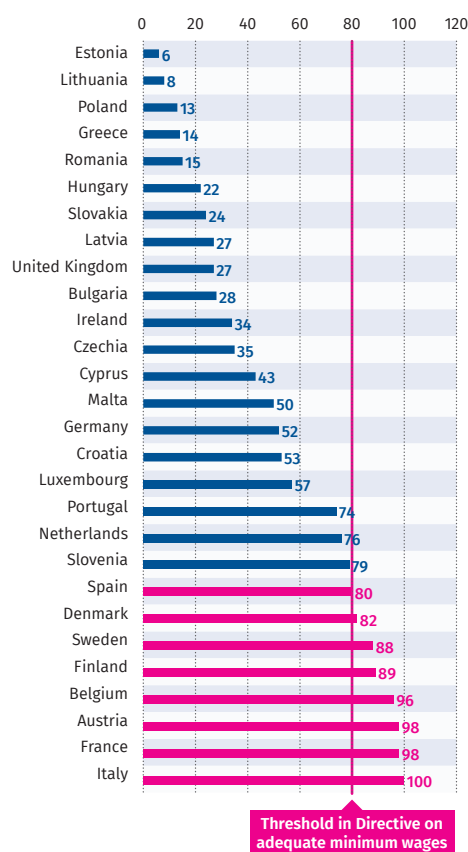
Action plans to increase bargaining coverage

Strengthening collective bargaining is another important measure to deal with the cost-of-living crisis. There is ample evidence showing that high collective bargaining coverage goes hand in hand with lower levels of wage inequality and higher overall wage levels (OECD 2019). The latter not only directly support low-wage earners, but also help to ensure a sufficiently high median wage, which in turn can serve as a benchmark for adequate minimum wages. By requiring all Member States where collective bargaining coverage is below 80% to establish an action plan to promote collective bargaining, the European Minimum Wage Directive defines de facto a threshold for adequate collective bargaining coverage. This threshold can be seen as a trigger for the implementation of measures that will progressively move the collective bargaining coverage rate towards 80%.

Figure 3.14 illustrates the potentially far-reaching implications of this adequacy threshold. Only eight Member States currently have collective bargaining coverage above 80%, which means that 19 Member States need to establish action plans with concrete measures to increase their bargaining coverage. What is more, Figure 3.14 clearly demonstrates that the adequacy threshold can be reached only through sectoral collective bargaining. In all eight countries that meet the adequacy threshold, sector-level agreements are the primary tool for setting the terms and conditions of the employment relationship. In contrast, all the countries with bargaining coverage of 50% or less are characterised by the dominance of company-level agreements. Therefore, the adequacy threshold represents an implicit call to Member States to introduce or strengthen sectoral collective bargaining.

Although every Member State below the 80% adequacy threshold is legally required to establish an action plan, successful implementation of the plan is by no means a foregone conclusion – partly because there

Figure 3.14 **Collective bargaining coverage* in EU countries (2019 or most recent year available)**



Note: Share of employees covered by a collective agreement in relation to the number of employees with the right to bargain.
Source: OECD / AIAS (2022).

are no sanctions for failure to comply with the requirement to establish and implement such an action plan. Thus, the extent to which the Minimum Wage Directive can actually contribute to promoting collective bargaining at national level depends strongly on whether the relevant political actors take the initiative and are able to implement appropriate measures. The European monitoring process provided for in the Minimum Wage Directive – and the resulting permanent comparisons between EU Member States – will support any initiatives on the part of national actors who advocate stronger collective bargaining systems. The more countries that develop good practices to promote collective bargaining, the greater the political pressure will be on the remaining countries with low collective bargaining coverage to follow suit (Müller and Schulten 2022).

Strike activity

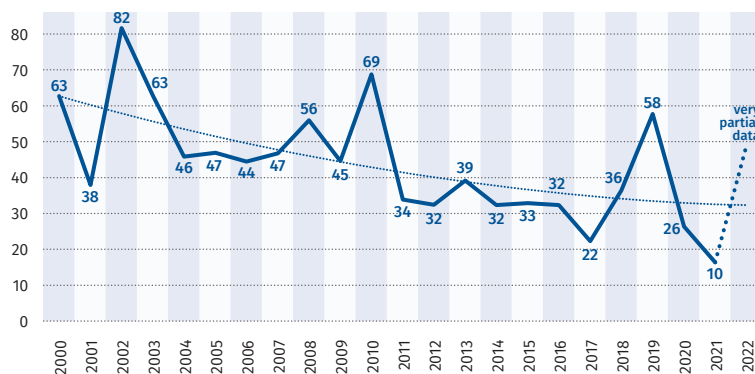
Three spikes since 2000

Strike actions provide us with information about the degree of collective discontent among workers. These actions are either aimed at employers – whether at the level of the company or the industry as a whole – or targeted at political authorities, where regulations on strike action allow for this: in fact, of course, the economic and political arenas are interrelated. Figure 3.15 depicts the weighted average of days not worked due to industrial action per 1000 employees in most European countries, particularly in western Europe, since 2000. (It should be noted that the data for some countries may include lockouts.) It shows an uneven yet falling trend over time. Among other factors, the long-term decline in the volume of strikes mirrors the diminishing importance of industrial trade unionism and a shift of strike activity towards private-sector services, especially within transport and logistics, where strikes tend to be shorter and sometimes on a smaller scale because they have greater disruptive capacity (Bordogna and Cella 2002; Vandaele 2016). This fall in strike activity is nevertheless ‘interrupted’ from time to time. Three distinct spikes can be discerned (so far), although each spike is less high than the previous one. Over the past two decades, relative spikes in the volume of strikes have occurred in 2002, 2010 and 2019. Although its magnitude is still unknown, the data hints at a new spike in 2022, even though only very partial information is available for four countries (BE, IE, ES and UK) so far.

The first spike has been attributed to the ‘dot-com bubble’ and the 9/11 recession (European Commission 2011: 46), whereas the second spike mainly resulted from ‘national days of action’ against pension reforms in France (Ancelovici 2011). After this, the volume of strikes falls to levels below 40 days until 2019. Data on industrial action generally underestimates strike activity, and this is certainly the case for post-2008 developments, as there is a lack of data for some traditionally more strike-prone countries, and some data sources have (deliberately) ignored several general strikes linked to anti-austerity protests (Dribbusch and Vandaele 2016). While there was a relative reduction in strike levels in southern Europe before the financial crisis of 2007-2008, strike activity grew more intense again as the European debt crisis unfolded, although demonstrations remained the prevailing form of political protest (Hunger and Lorenzini 2020).

The third spike in 2019 can largely be attributed to an increase in strike activity in France and Poland. As in 2010, cross-sectoral days of action against pension reforms, targeting the Philippe Government under President Macron, provide a clear explanation of the relatively high volume of strikes in France (DARES 2021). A nationwide teachers’ strike demanding pay rises swept across Poland in 2019, contributing to the exceptional increase in strike figures, although these should perhaps be taken with a pinch of salt (Płucienniczak et al. 2022). Also, for various reasons, countries with smaller workforces saw a relative peak in strike activity in 2019 – that is, more than 100 days not worked due to industrial action. In Belgium, for instance, the failure of negotiations to set a ‘wage norm’ at the interprofessional level has provoked a national 24-hour strike in the private sector (Vandaele 2020). The high volume of strikes in Cyprus was mainly due to actions taken in the construction industry over the renewal of collective agreements and in the services sector. In Finland, the Prime Minister, Antti Rinne, resigned under pressure from a nationwide postal strike over plans to reassign employees under new contracts with lower ‘labour costs’, which lasted more than two weeks and then mushroomed into multiple solidarity strikes in other industries such as transport, including aviation (Firon 2020). The 700 parcel-sorting employees affected returned to the previous collective agreement. There were also a three-day strike of 92 000 blue- and

Figure 3.15 Days not worked due to industrial action in Europe per 1000 employees (weighted average, 2000-2022)



Source: Data on industrial action: ETUI based upon data from national statistical offices. For details about the availability and reliability of data, see Dribbusch and Vandaele (2016). Employees in employment: Eurostat.

white-collar workers in industrial sectors and a six-day lockout, mainly in sawmills and plywood plants, after deadlocks in negotiations over the renewal of a collective agreement. Finally, the Netherlands, a traditionally 'low-strike' country, recorded 53 days not worked due to industrial action in 2019, mainly resulting from strike actions in education and health care.

Waiting for the fourth upsurge

The Covid-19 pandemic generally dampened strike activity in 2020, except in Norway. The pandemic has not made collective action and strike activity impossible, however: some (Covid-safe) demonstrations, rallies and strikes have taken place around pandemic issues – for example, in health and social care (Vandaele 2021). It is also possible that, in countries with effective institutions for social dialogue, the context of the pandemic may have created a 'discursive opening' in the neoliberal mantra on macroeconomic policies (Meardi and Tassinari 2022). Whether or not the pandemic will prove to be a historic turning point in economic thinking, it has also been seen as a possible catalyst for a 'new wave of labour activism' (Maffie 2022: 216). And, without doubt, the current cost-of-living crisis has brought a new, sudden macro-shock since late 2021, which is adding to such activism.

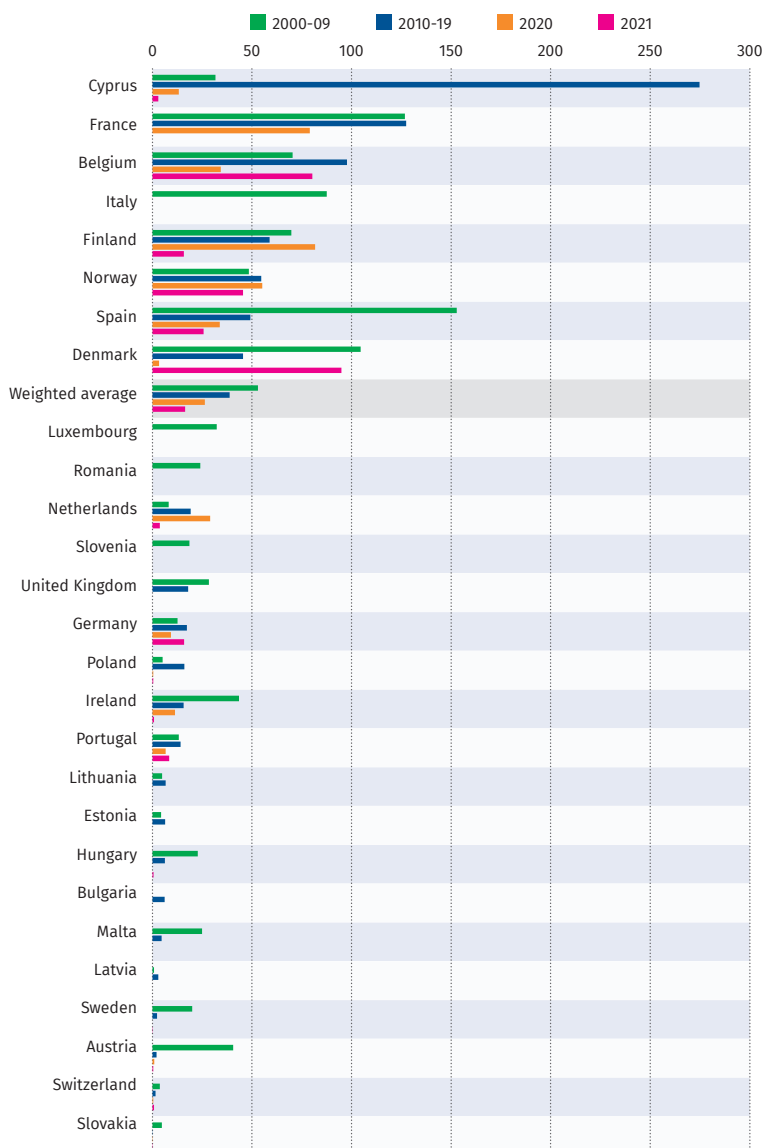
Although full data are still not available for 2022, partial data for a few countries illustrate how the surge in inflation can drive industrial action. In Belgium, days not worked in the first semester already equal the total for 2021. In the UK, the collection and publication of data on labour disputes was suspended in April 2020 in order to prioritise outputs in response to the pandemic (ONS 2020). However, collection resumed in June 2022, with the Office for National Statistics stating that 'there was a growing interest and need for these statistics from users' (ONS 2022). One cannot escape the impression that this is linked to the reality of strikes: industrial action on the railways in summer 2022 has spread to health services and other key sectors of the economy – mainly, though not solely, stoked by inflation. About 1 634 000 days not worked in the UK have been notified from June to November 2022. It is estimated that the 'winter of strikes' will exceed two million days (The Times 2022), which would imply a record high since 1989. In Spain, however, for which partial data is available for the whole year, there is no sign of such a major upsurge in strike activity, which remains at a relatively low level from a historical perspective.

While current labour market shortages in various industries increase workers' bargaining power (Silver 2003), they still have to take collective action to apply this leverage (Rhombert and Lopez 2021). Yet exorbitant energy costs and high food prices lead to mounting inflation – which is simply a recipe for labour unrest, as it adds significantly to uncertainty about appropriate wage demands (Brandl and Traxler 2010). 2022 strike levels will, in all likelihood, prove to have soared in many countries in Europe, leading to the fourth upsurge in the average European strike level since 2000. At the same time, it remains to be seen whether strikes will predominantly be limited to highly unionised parts of the economy, such as the public sector, or if they also break out in less unionised industries. Much will depend on the 'demonstration effect': successful strikes might prompt workers in less unionised industries to take industrial action as well. Strike activity could also have a positive impact on union membership and on revitalising the trade union movement more broadly (Clawson 2003; Dribbusch 2016; Hodder et al. 2017; Las Heras and Rodríguez 2021), which could, in turn, halt the almost continuous fall in membership and trade union density. For instance, the main Dutch confederation of unions, FNV, has recently noted an increase in membership, especially among young workers (*Algemeen Dagblad* 3 November 2020). Nevertheless, while trade unions across Europe have reported successes in terms of wage increases, it is an open question whether strike outcomes will be able to compensate fully for loss of purchasing power.

Country differences remain

Figure 3.16 compares the average strike volume in the 2000s and the period 2010-2019 in each European country for which (sufficient) data are available. The figure also shows strike volume in 2020 and in 2021 if the data is (already) available. It largely confirms the secular trend in strike volumes, but also provides a more nuanced picture at country level. In several countries, the volume declined on average during the most recent period. This is most marked in Spain and Denmark – two countries previously prone to industrial action. In contrast, the open-ended conflict that erupted in the construction industry in Cyprus in 2013 explains the remarkable rise in industrial action there: the country headed the European 'strike league' for the period 2010-2019. Given the enduring capacity of trade unions in Belgium, France and

Figure 3.16 Days not worked due to industrial action per 1000 employees (country comparisons: 2000-2009, 2010-2019, 2020 and 2021)



Source: Data on industrial action: ETUI based upon data from national statistical offices. For details about the availability and reliability of data, see Dribbusch and Vandaele (2016). Employees in employment: Eurostat.

Norway to mobilise workers, there is not much difference in strike volumes for those countries in the two periods considered. In particular, political mass strikes, such as large-scale strikes in the public sector and general strikes, help to explain changes in the number of days not worked in a given country. Quintessential examples of this are an exceptional general strike against pension reforms in Austria in 2003 and a 24 hour national public-sector strike in protest at the government’s pay cuts in Ireland in 2009. Remarkably, low-strike countries such as Germany and the Netherlands also saw some increase during the most recent period by comparison with the 2000s. Finally, strike activity in most CEE countries stands at a very low level except for the strike in education in Poland, mentioned previously. Above all, Figure 3.16 demonstrates that differences in strike volume between countries persist over time, with those differences tending to increase during upswings in industrial action (Brandl and Traxler 2010). Thus, while soaring inflation will probably increase variation between countries, strike volumes for 2022 will depend on the severity of inflation, on government measures to tackle it, on the strictness of ‘peace clauses’ in collective bargaining agreements, on the power of unions to mobilise in certain industries and sectors and on traditions and cultures surrounding strike activity in general.



The Directive on adequate minimum wages is a major step in combatting the cost-of-living crisis

Conclusion

In 2022, the surge in inflation and the resulting cost-of-living crisis has been the dominant theme in the area of wages, collective bargaining and strikes. As a consequence of the increase in inflation, nominal wage growth has been stronger in the majority of EU Member States than in 2021, but it has still lagged behind inflation. The result has been a historic drop in real wages and, consequently, a dramatic loss of purchasing power for workers and their families. While all workers have been negatively affected by the higher cost of living, low-wage earners have been especially hard hit because of the particularly strong rise in the costs of essential items such as energy and food, on which low wage-earners spend a larger share of their income than employees higher up the pay scale.

At the same time as workers and their families have faced a substantial cost-of-living crisis, many businesses have benefitted from the rise in inflation, with strong increases in corporate profits. The divergent implications of the surge in inflation for businesses and workers have had a negative impact on income distribution. The sharp drop in the wage share illustrates how the rise in inflation has caused a substantial redistribution of wealth from labour to capital. As a result, workers have borne the brunt of current inflation shocks. Against this background, it is no surprise that 2022 has also seen a new surge in industrial action. And, since the green and geopolitical transitions, which form the theme of this year's *Benchmarking* (see Chapters 1 and 4), have been fuelling this surge in inflation, pressures on real wages are likely to persist.

To some extent, Member States have tried to address the loss of purchasing power by complementing wage policies with various kinds of support measures. This is partly an acknowledgement that wage policies alone

cannot compensate for loss of purchasing power. The measures taken by Member States include taxation, energy price regulation and direct cash transfers or benefits in kind. Increases in minimum wages have played a particularly important role in mitigating the negative effects of inflation on low-wage earners. Nominal minimum wages have increased substantially in most EU Member States; but, in almost half of the Member States with a statutory minimum wage, the nominal increase was not enough to prevent a drop in real minimum wages.

The recent adoption of the Directive on adequate minimum wages in the European Union is a major step towards promoting adequate minimum wages and strong collective bargaining as two essential tools in combatting the cost-of-living crisis. The Directive establishes 'decency thresholds', not only for adequate minimum wages but also for adequate collective bargaining coverage. Both thresholds have already influenced policy-making and discussion in the Member States – even though Member States still have two years to transpose the Directive into national law. Timely implementation of the Directive would be an important step in further strengthening the role of adequate minimum wages and collective bargaining to address the cost-of-living crisis. However, it is important to recognise that the EU's Minimum Wage Directive in itself is not a silver bullet for the problems of cost of living, pay inequality and in-work poverty. Its real impact will ultimately be determined by its implementation at the level of the Member States. Rather than defining legally binding standards, the Directive provides an important political and normative frame of reference, strengthening the positions and actors at the national level who are advocating for adequate minimum wages and strong collective bargaining.

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4. Europe's energy crisis: a stress test for both the European Green Deal and the European Social Model



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Mehtap
Akgüç

Topics

Introduction	101
Greenhouse gas emissions in Europe and the world	102
The fossil energy crisis	106
A new landscape of clean energy investment	110
Response measures to the energy crisis	114
Conclusions with a 'beyond growth' outlook	117



Striking a balance
between climate and
social objectives in mids of a cost
of living crisis is a Herculean task

Béla Galgóczi and Mehtap Akgüç

Introduction

The ‘cost of living crisis’ triggered by runaway fossil fuel energy prices is a watershed moment for Europe. Russia’s invasion of Ukraine has created a new geopolitical constellation, highlighting Europe’s vulnerability as a result of an insufficiently ambitious energy transition. Europe’s long-standing fossil fuel dependence has been exacerbated by naive reliance on Russian oil and gas imports, and the EU has woken up to the current situation to realise that speeding up the energy transition is the only solution. While there is no doubt about this for the medium and long term, the short-term effects of this new energy crisis are more complex and ambiguous. Switching energy systems cannot happen overnight, but short-term fossil fuel supply needs to be secured and the social effects of soaring energy prices must be addressed. As some of these measures risk jeopardising European Green Deal objectives (Hook and Hume 2022), a delicate balance needs to be struck. *Benchmarking Working Europe 2021* (Galgóczy and Akgüç 2021) offered a detailed overview of the complexity of multidimensional inequalities in the context of the climate-environment-social nexus. The main dimensions stretch from responsibility for causing climate change to exposure and vulnerability (as regards both climate change and pollution) and adaptive capacity, as well as employment and the distributional effects of mitigation policies, such as differential accessibility and affordability of low-carbon technology. We showed how these dimensions are linked to inequalities in income, wealth, spatial characteristics, housing and employment, reflecting also on age, gender, skills and racial (ethnic) characteristics. It was concluded that, without a robust social dimension, we face a triple injustice: those least responsible for causing climate change and most vulnerable to its effects are likely to be more affected by the necessary mitigation policies (in terms of employment and distributional effects) and can least afford low-carbon technologies to bring an end to fossil fuel reliance.

One year on, what we observe is that the current energy crisis is further amplifying these inequalities. Trends (as we show in this chapter) indicate that the effects of higher energy costs are harshest for lower-income vulnerable groups, while richer households may even increase their consumption and carbon footprint (as fast-growing civil aviation and SUV sales show, for example (IEA 2022b)). The most disturbing trend for 2022 seems to be that the main factor limiting the further increase of global greenhouse gas (GHG) emissions is slower growth of output and energy use with dramatic effects for the poor.

Winter 2023 has been a key stress test for both the European Social Model and the European Green Deal. Europe is trying to perform a balancing act of maintaining its climate ambitions, while at the same time addressing the social emergency posed by the cost-of-living crisis. Speeding up the green transition while addressing the triple injustice, where those with the lowest carbon footprint suffer most from the effects of energy price increases and can least afford low-carbon technologies, is a formidable task.

This chapter will show the latest trends in greenhouse gas emissions during the past few years, marked by multiple crises, with Section 1 looking at global, European and sectoral levels. Section 2 discusses the effects of the fossil energy crisis that has triggered a cost-of-living crisis in Europe and the world, showing extreme price changes and demonstrating how households are likely to be affected. Section 3 will map the emerging landscape of energy transition investment, with the past few years showing a shift from renewable energy investment towards clean mobility investment, while creating new inequalities. Section 4 will briefly discuss national and EU level responses to the energy crisis. Section 5 concludes with some thoughts about degrowth.

Greenhouse gas emissions in Europe and the world

Global CO₂ emissions

Global CO₂ emissions from energy combustion and industrial processes¹ rebounded in 2021 and are expected to reach their highest ever annual level, according to the International Energy Agency (IEA 2022b: 3). In 2021 energy-related global CO₂ emissions reached a historic peak of 36.3 gigatonnes (Gt), a 6% increase on 2020. This rebound has more than offset the 5.2% decrease due to the effects of the Covid-19 pandemic in 2020, and results in a net increase in emissions of around 180 megatonnes (Mt) compared to the pre-pandemic level of 2019. The 2021 rebound was also stronger than the 2010 resurgence that followed the global financial crisis (IEA 2022b). The 6% increase in CO₂ emissions in 2021 was in line with the 5.9% growth in global economic output and marks the strongest coupling of CO₂ emissions with GDP growth since 2010. Figure 4.1 shows the trends in CO₂ emissions for advanced economies over the past 20 years.

By 2021, the EU had managed to reduce its energy-related emissions by 20.5% from 2000 levels, as had the US, while for Japan the reduction was just 9%.

For 2022, despite earlier concerns about the effects of more coal burning in the context of the current energy crisis, global CO₂ emissions from

fossil fuel combustion are expected to grow by just under 1%, a fraction of their increase in 2021 (IEA 2022a).

The latest IEA data from around the world show that these CO₂ emissions are on course to increase by nearly 300 Mt in 2022 to 33.8 Gt, in contrast to their increase of more than 2 Gt in 2021. The increase is driven by power generation and by the aviation sector, as air travel rebounds from pandemic lows.

This projected rise in global CO₂ emissions for 2022 would be much larger – close to 1 billion tonnes – without major deployments of renewable energy technologies and electric vehicles (EVs) around the world. The second decisive factor in global energy trends, pushing emissions downwards to a similar extent, is the projected slower economic growth due to the impact of the war in Ukraine on the world economy.

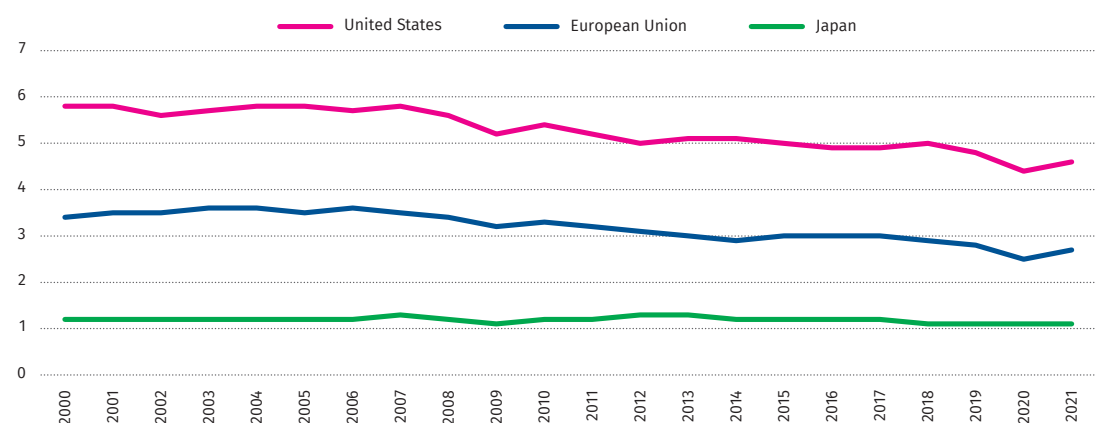
The combined result is that the CO₂ intensity of the world's energy supply is set to improve slightly in 2022, resuming a pre-pandemic multi-year trend of improvement.

According to an IEA projection for 2022, the EU's CO₂ emissions are on course to decline, despite an increase in coal emissions (IEA 2022c). The rise in European coal use is expected to be temporary, with new renewables projects forecast to add around 50 gigawatts of capacity in 2023. These additions would generate more

“
By 2021, the EU had managed to reduce its energy-related emissions by 20.5% from 2000 levels

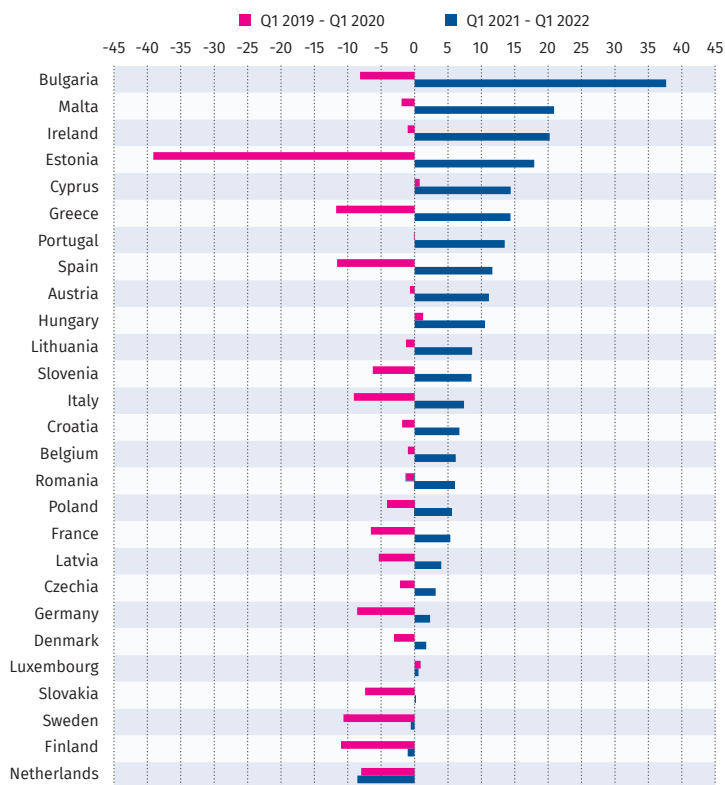
1. The IEA uses the term 'energy-related emissions' for CO₂ emissions from energy combustion and industrial processes.

Figure 4.1 Energy-related CO₂ emissions in major developed economies (Gt)



Source: IEA (2022b).

Figure 4.2 **Change in greenhouse gas emissions by Member State (Q1 2019-Q1 2022, in %)**



Source: Eurostat (2022).

electricity than the expected increase in coal-fired power generation in the EU in 2022.

The positive message of the IEA 2022 Energy Outlook is that, even if 2022 brings a further increase in global emissions, this is significant improvement on earlier expectations. While the record deployment of renewables (as one driver of the moderation) is indeed good news, the net positive effect from slower growth due to the war in Ukraine on global emissions is not. If the world ‘needs’ a cost-of-living crisis to avoid another jump in emissions (with lower growth bringing less fossil energy use), this clearly demonstrates the limited achievements of climate policy efforts. This is bad news from a climate policy viewpoint, but even worse from a social one. Further details from the IEA report also show that aviation has become an important driving force for emissions increase, and, while a record uptake of electric vehicle sales had a significant impact on road transport emission improvements, the similarly record sales of powerful and expensive SUV cars have cancelled out any such improvement. Both trends indicate that the carbon footprint of the rich is less affected by the global slowdown. The apparent outcome is that, while the ‘cost-of-living crisis’ may bring some incremental improvement in emissions, it aggravates

inequalities with devastating social effects. We also saw this pattern in the financial crisis, as well as in the pandemic.

Emissions in Europe

Total greenhouse gas emissions in the first quarter of 2022 increased in almost all EU Member States when compared with the same quarter of 2021, as a by-product of recovery from the Covid-19 pandemic, as Figure 4.2 shows (Eurostat 2022a). The Netherlands (-9%), Finland (-1%) and Sweden (-0.4%) were the Member States that registered a decrease in emissions in the year up to the end of the first quarter of 2022. Apart from Slovakia and Luxembourg (no change), all others and the EU27 as a whole recorded rising GHG emissions, with Bulgaria (+38%), Malta (+21%) and Ireland (+20%) topping the list.

Sectoral emissions

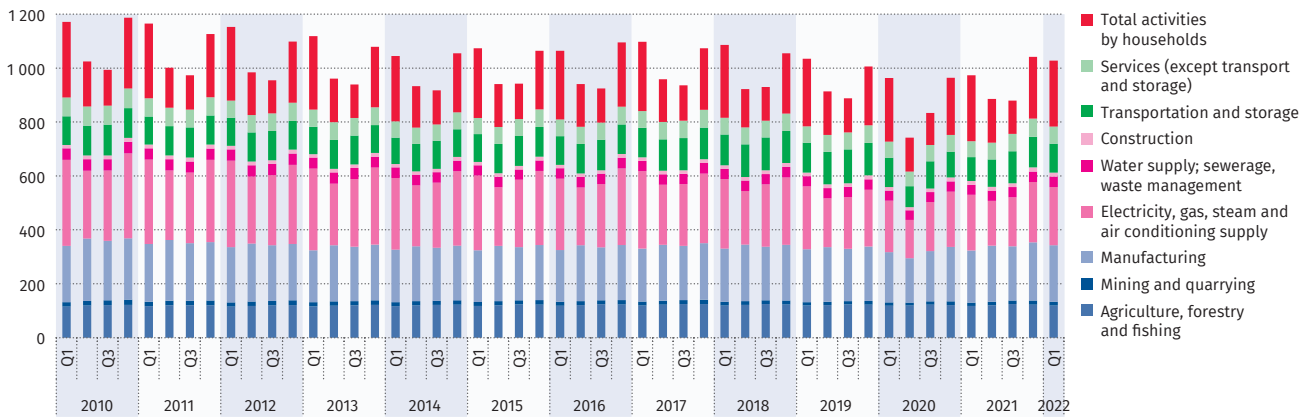
In the first quarter of 2022, among economic sectors, total activities by households² had the highest share in greenhouse gas emissions (24%), followed by electricity and gas supply (21%) and manufacturing (20%), while agriculture and transportation accounted for 12% and 10% respectively, as shown by Figure 4.3. Greenhouse gas emissions increased in all sectors compared with the same period of 2021, except for households, which remained at the same level (245 million tonnes of CO₂ eq.). The highest increases were recorded in transportation and storage (+21%), mining (+15%) and construction (+11%).

Emissions by gender

Based on a detailed analysis of consumption patterns in Sweden, a study by Carlsson Kanyama et al. (2021) found that the carbon footprint of single men is significantly higher than for single women. Figure 4.4 shows that, based on consumption patterns, Swedish men have on average, 17% higher annual emissions than women, and the differences are greatest in emissions related to holidays (24%) and transport (45%). For men, these two items make up nearly 60% of their annual carbon footprint. While the case of one Member State is certainly not representative of the whole of Europe, this example from Sweden indicates that, even in an

2. Eurostat uses the term ‘total activities of households’ as a separate category along Nomenclature of Economic Activities (NACE) sectors.

Figure 4.3 Greenhouse gas emissions by economic activity, EU27, Q1 2010-Q1 2022 (million tonnes CO₂-eq.)



Source: Eurostat (2022) env_ac_aigg_q.

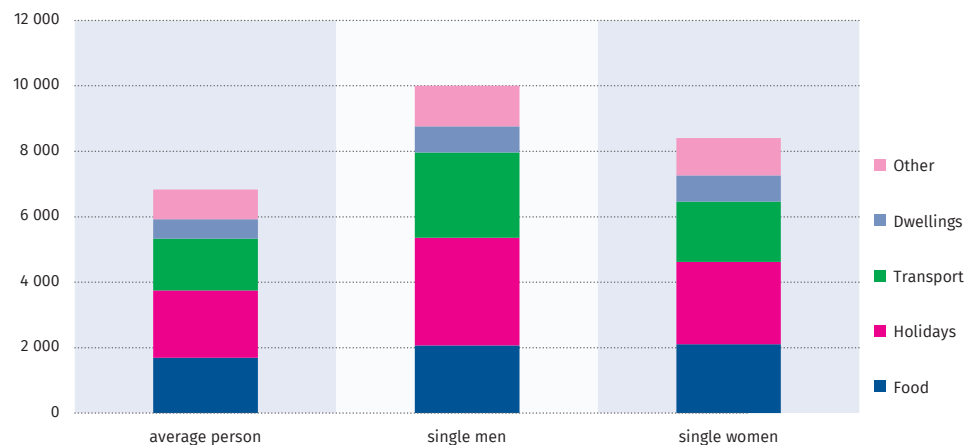
advanced economy that has the second-best gender equality index in the EU (UN n.d.), there is still a significant gender imbalance in terms of climate impact, which also demonstrates the importance of transport-related emissions.

Emissions and working hours

While emissions historically show fluctuations as a response to macro-level shocks (e.g. the financial crisis of 2008 or the recent pandemic), an emerging literature points to the potential link between emissions and working hours. On the one hand, the number of hours worked is related to productivity, and thereby to economic growth. On the other hand, economic growth is associated with environmental pressures, among which emissions is one of the principal impacts (Hayden and Shandra 2009; Knight et al. 2013). Given these relationships, hours worked (through their contribution to productivity) are implicitly related to the scale of the economy,

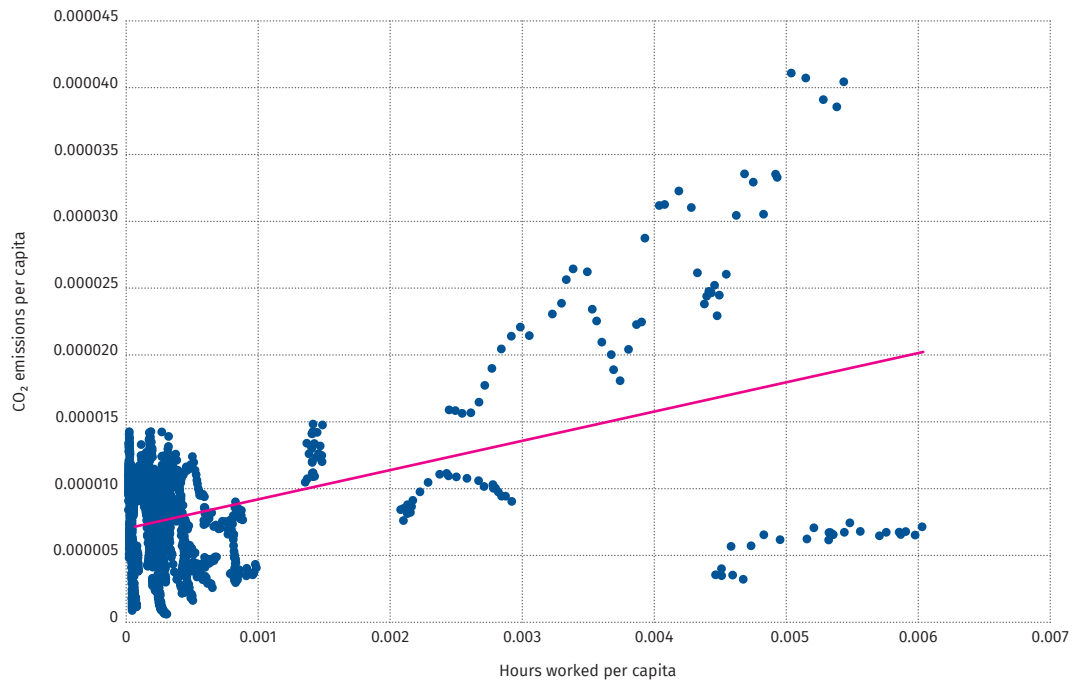
which results in environmental impacts because of the coupling of economic growth with resource use and related carbon emissions. Based on this conceptual framework, Figure 4.5 displays the relation between CO₂ emissions and annual hours worked per capita across 30 European countries (EU27 plus Norway, Switzerland and the UK). Using data covering six decades, this indeed suggests a positive association between annual hours worked per capita and CO₂ emissions. One interpretation of this graph would be that one way to reduce emissions is to reduce the number of hours worked, which would limit economic growth, keeping environmental pressures under control.

Figure 4.4 Annual GHG emissions by gender according to main spending items in Sweden (kg/person)



Source: Authors' own elaboration based on Carlsson Kanyama et al. (2021).

Figure 4.5 CO₂ emissions (in megatonnes) and annual hours worked



Source: Own calculations based on emissions data from the Global Carbon Network (1950-2019) and data on hours worked from The Conference Board (1950-2021).

The fossil energy crisis

While energy prices had already started to increase in the second half of 2021 due to the higher energy demand of post-pandemic recovery, the energy price shock came as an effect of Russia's attack on Ukraine and the resulting cutting of fossil energy supplies from Russia. Europe has also failed to build up its energy resilience during the past few decades. While in 2011 the EU was still the world leader in renewable energy investment, from 2013 onwards investment collapsed to around half of its 2011 level (see Section 4). The resulting fossil fuel dependence was exacerbated by naive reliance on Russian oil and gas imports, fed also by unjustified trust in the stabilising effect of trade relations.

Energy markets and price setting

While it is clear that the future lies in renewable sources of energy generation, even if the process will now be sped up (after years of stagnation), the sudden collapse of fossil energy supply cannot be replaced in the short and medium term. Alternative sources for fossil energy imports are being feverishly explored, and, as a result, wholesale prices are spiralling with huge fluctuations. It is reasonable to ask to what extent the price of energy provision for basic societal needs (such as heating and mobility) should be left to the playing field of free markets. In the spirit of the Energy Union (European Commission 2015), electricity generators and electricity suppliers operate in a liberalised market environment. Generators compete on the wholesale electricity market to sell electricity to large industrial consumers, and suppliers compete in the retail electricity market to sell electricity to the final consumer.

Under normal circumstances, markets seemed to perform reasonably well, and Europe was lulled into a naive reliance on cheap Russian fossil energy. What we see on energy markets now are spiralling prices and huge swings. The benchmark for wholesale natural gas prices in the EU is set at a virtual trading point (Title Transfer Facility, known as TTF) in the Netherlands with some 80% of EU gas trading being covered. In December 2021, the month-ahead price for one MWh of gas was 62.5 euros, rising to 227 euros on 7 March 2022, peaking by the end of August at 339.2 euros and staying just under 130 euros in the month of November

2022 (Statista 2022). Electricity prices followed the same pattern. It is mostly the functioning of Europe's electricity markets that has come into focus in policy debates in the context of the current crisis. The main issue is how gas prices affect the electricity price. There are two factors playing a key role: the share of gas generation in the European electricity mix and the price-setting mechanism.

In 2020, renewable energy generation achieved its highest ever proportion of the European electricity mix, owing to a combination of increased capacity and low demand. This allowed coal-fired generation to be reduced to a historic low across the EU, substantially cutting greenhouse gas (GHG) emissions. Gas-fired generation also fell. From 2021, electricity and gas demand recovered, and the contribution of renewables and nuclear decreased. There were three reasons for this: wind generation was low because there was less wind, but also because deployment was slower than planned; hydroelectric power also fell due to drought and low water levels across Europe; and the latter were also the main reason for lower nuclear power use, due to lack of water for cooling. This has pushed gas-fired power plants back to the forefront of the electricity generation mix across Europe.

Besides the share of gas in electricity, it is the price-setting mechanism that is in question. Power exchange markets are operated by an intermediary, to which generators and consumers submit their bids. The term 'merit order' describes the sequence in which power plants are designated to deliver power, based on the lowest marginal costs, with the aim of economically optimising the electricity supply by designating plants that constantly supply cheap power to generate electricity first. If demand exceeds supply, the price goes up. The system therefore favours electricity generation technologies with low marginal costs, such as solar energy or wind power. If they produce less electricity than is needed to meet demand, additional energy sources are activated. In a market such as this, peak-load power stations, which are predominantly fired with fossil fuels such as coal and gas, are the last to go on-line in the event of supply shortages. They then match the high demand for electricity with very high prices.

The main reason for high electricity prices is the imbalance between demand and supply.

While electricity demand has been high in the wake of the pandemic, on the supply side cheap renewables shrank, pushing the share of fossil fuels up in the electricity mix. Then came the war in Ukraine, causing a major crunch in the gas supply.

Despite its high price now, natural gas will remain critical to supply security, at least over the next decade (IEA 2022c). For both cost and environmental reasons, its role needs to return to that of feeding peaking plants (as was the case in 2020) rather than being the price-setting mainstay of the electricity system (as in 2021 and 2022).

It must also be added that these are not the prices paid by households or businesses. Depending on the model used by a national market, pricing may vary at each individual distribution level, as each Member State sets its own taxes, levies and surcharges. In Germany, for example, taxes, duties and surcharges (in particular the renewable energy or EEG surcharge) accounted for 51% of household bills, while grid charges added another 25%. This means that less than a quarter of the price can be influenced by producers and utilities reducing production costs or administrative expenses – or buying electricity on the exchange on favourable terms. On the other hand, this also means that Member States have significant leeway in influencing actual retail energy prices paid by consumers.

Energy price developments

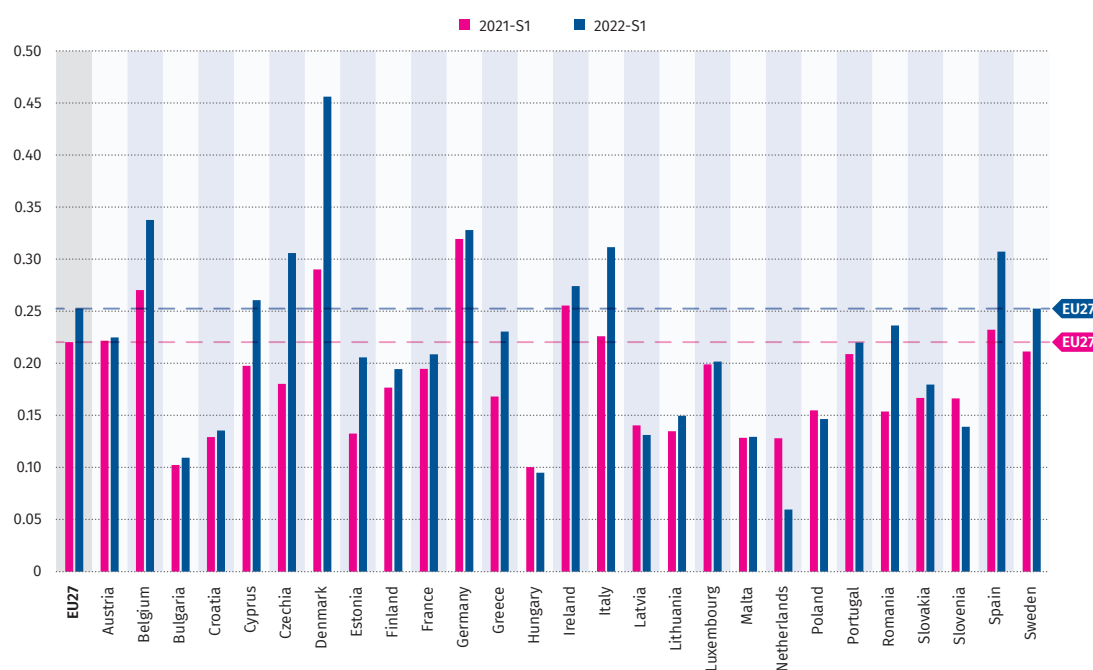
Compared to the first half of 2021, the proportion of taxes and levies in the final electricity and gas bills charged to households in the EU in the first half of 2022 decreased significantly, as Member States put in place governmental allowances and subsidies to mitigate high energy costs. Compared with the first half of 2021, the share of taxes in the electricity bill dropped sharply from 39% to 24% and in the gas bill from 36% to 27% (Eurostat 2022b).

In spite of such correction measures, in the first half of 2022 average household electricity prices in the EU increased sharply compared with the same period in 2021.

Actual levels of electricity prices for households show a great variety across the EU (Eurostat 2022b), as Figure 4.6 demonstrates.

Electricity prices in the first half of 2022 were highest in Denmark (€0.4559 per kWh), Belgium (€0.3377 per kWh), Germany (€0.3279 per kWh) and Italy (€0.3115 per kWh), while the lowest were registered in the Netherlands (€0.0595 per kWh), Hungary (€0.0948 per kWh) and Bulgaria (€0.1093 per kWh). A kilowatt-hour for Danish household consumers cost 80.5% more than the EU average price, whereas households in the Netherlands paid 76.4% less than the EU average. This difference is mainly driven by

Figure 4.6 Electricity prices for household consumers (first half of 2021 and first half of 2022 in EUR/kWh)



Source: Eurostat.



There is a lack of transparency in energy pricing

subsidies given to household consumers in the Netherlands.

Figure 4.6 also illustrates the change in electricity prices for household consumers, including all taxes and VAT, from the first half of 2021 to the first half of 2022. In this period, total prices increased in all but five EU Member States. The biggest increase is observed in Czechia (61.8%), followed by Latvia (59.4%) and Denmark (57.3%). The Netherlands (-53.6%) and Slovenia (-16.4%) were the two EU countries recording the largest decreases, due to measures taken to alleviate electricity costs. It should be noted that there is no transparency in prices and price developments: nobody knows the actual price of a unit of electricity or gas at a given place and time and how much a consumer is actually supposed to pay. What was the average gas price when national gas reserves were filled, what supplier contracts are in effect and how are individual consumers affected? There is uncertainty and a lack of transparency on a massive scale. An illustration for this is provided for the period from September 2020 to September 2022 by Eurostat figures on the harmonised energy price index (combining electricity, gas and fuel prices) for individual Member States, as shown by Figure 4.7. For the EU as a whole, the price index is 173% (which has no practical relevance), Malta had no change at all, and the price index for the Netherlands is 358%.

Effect on households

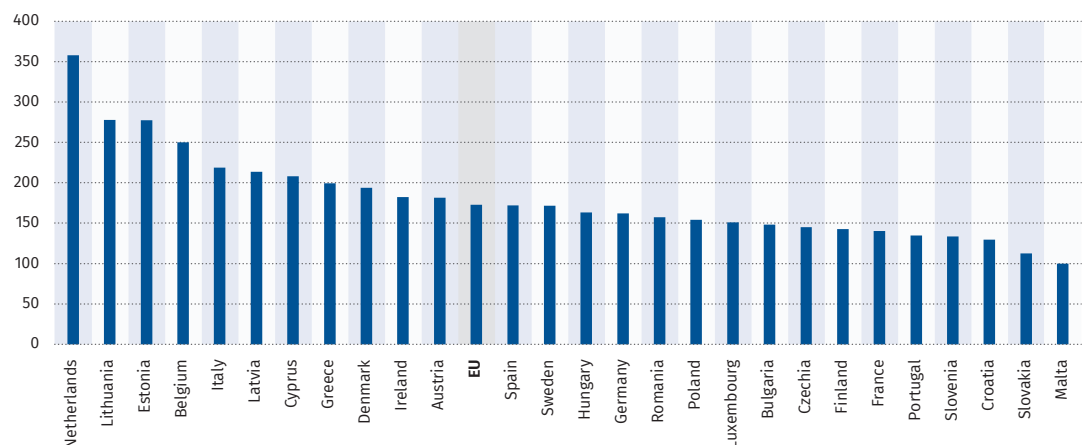
An IMF working paper (Celasum et al. 2022) looked at how household spending by different income groups in selected countries was affected by higher energy prices as of May 2022. Differences

were significant between Member States both as regards the extent of the price effect and how differently the poorest 20% were affected, compared to the richest 20%. Estonia has seen both the biggest increase and the biggest gap between the richest (13%) and poorest quintiles (25%). For Italy, the richest 20% saw a price effect of 6% of household income, while the poorest 20% saw an 11% increase; for Belgium, the figures are 7% and 10% respectively. Both France and Germany are expected to show a minor difference in the price effect of energy prices on the lowest and highest income groups, at least according to IMF estimates from August, based on May 2022 data (Celasum et al. 2022).

The Institute for European Environmental Policy has calculated the share of energy-related household expenditure by EU-wide income deciles and area of residence. Even before the big increase in energy prices, up to 11% of household expenditure was energy-related, as Figure 4.8 shows. The population in the three lowest income deciles was the most exposed, while the population in the tenth decile was the least. If we assume an average doubling of energy-related expenditures, this might have a dramatic effect on those who already had high shares before the price hike.

Energy poverty was already significant before the dramatic price increases, as Figure 4.9 shows for 2021. For the EU27, 6.9% of the total population, 30.8 million people, could not afford to keep their home adequately heated even before energy prices started to soar. For those at risk of poverty, 16.4% were unable to keep their home sufficiently warm. Differences across Member States were significant: while Estonia, Sweden and Finland were hardly affected,

Figure 4.7 **Harmonised energy price index (electricity, gas, fuels) in EU Member States, September 2022 (September 2020=100.0)**

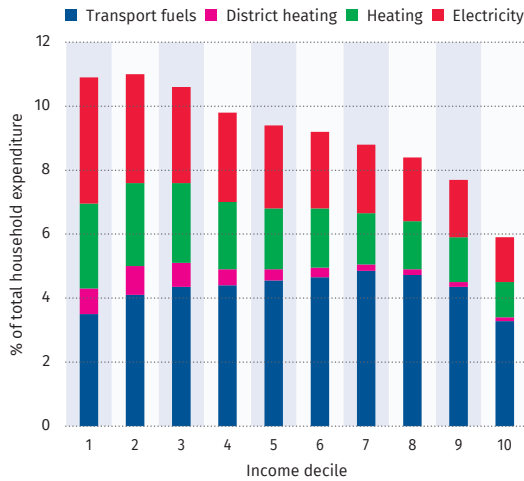


Source: Destatis (2022).



By the end of 2022, 60 million Europeans might be affected by energy poverty

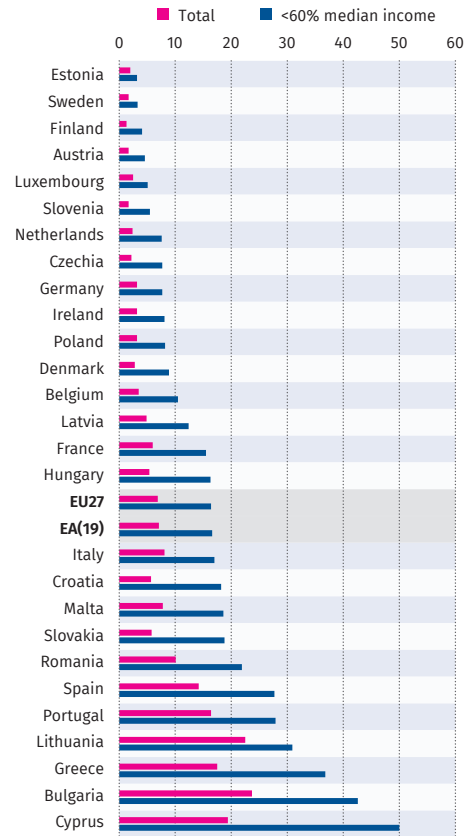
Figure 4.8 Household spending on energy by income decile, 2021



Source: IEEP (2022).

the situation in Greece, Bulgaria and Cyprus was truly alarming, with up to 50% of poorer households affected by energy poverty. Allianz Research (2022) has calculated that the number of households in energy poverty in the EU27 had increased by more than 50% as at June 2022. While exact figures were not presented, this would mean that, by mid-2022, more than 45 million people in the EU were living in energy poverty. In the year up to mid-2022, arrears on utility bills in Germany, for example, rose from 2.4% to 4.0%. Using regression analysis, based on the relationship between household energy prices, gross disposable income and energy poverty indicators from 2010 to 2018, Allianz estimates that the share of the population facing energy poverty is expected to double by the end of 2022 compared with 2021. This forecast would mean having more than 60 million people in the EU facing energy poverty.

Figure 4.9 Energy poverty – share of population unable to keep home warm (%), 2021



Source: Eurostat (sdg_07_60).

A new landscape of clean energy investment

Until 2014, investment in clean energy was virtually synonymous with investment in renewable energy, as the energy transition was focused on the power sector. Investment in electromobility was a negligible part of global energy transition investment. This picture has changed dramatically in the past five years, and we will show that this has major consequences for inequality. By 2021-22, investment in electromobility had become the driving force of the energy transition.

In 2021, global investment in the low-carbon energy transition totalled 755 billion US dollars, up from 595 billion US dollars in 2020, as Table 4.1 shows. This figure includes investment in projects, such as renewables, storage, charging infrastructure, hydrogen production, nuclear, recycling and carbon capture and storage (CCS) projects, as well as end-user purchases of low-carbon energy devices, such as small-scale solar systems, heat pumps and zero-emission vehicles. As regards broad economic sectors, the largest sector in 2021 was still renewable energy (366 billion US dollars) with an increase of 6.5% over 2020. The most dramatic change, however, took place in the electrified transport sector, which showed a 77% increase and came a close second after renewables with an investment of 273 billion US dollars.

The breakdown of total energy transition investment in 2021 by main region (not shown in the table) reveals that, at 266 billion US dollars, China had the highest share (60% more than in 2020), roughly as much as the EU27 (154 billion US dollars) and the US (114 billion US dollars) combined. Further details from BloombergNEF (BNEF) data also show that it is particularly Europe where clean energy investment shifted most from renewable energy generation towards electromobility, and the latter now makes up the largest part of total energy transition investment.

Table 4.1 Global clean energy investment by sector, 2021, bn USD, and change from 2020, %

Technology/Sector	Total Investment in 2021 (US\$)	% change from 2020
Renewable energy	365.9B	6.8%
Electrified transport	273.2B	76.7%
Electrified heat	52.7B	10.7%
Nuclear	31.5B	6.1%
Sustainable materials	19.3B	141.3%
Energy storage	7.9B	-6.0%
Carbon capture & storage	2.3B	-23.3%
Hydrogen	2.0B	33.3%
Total	754.8B	26.8%

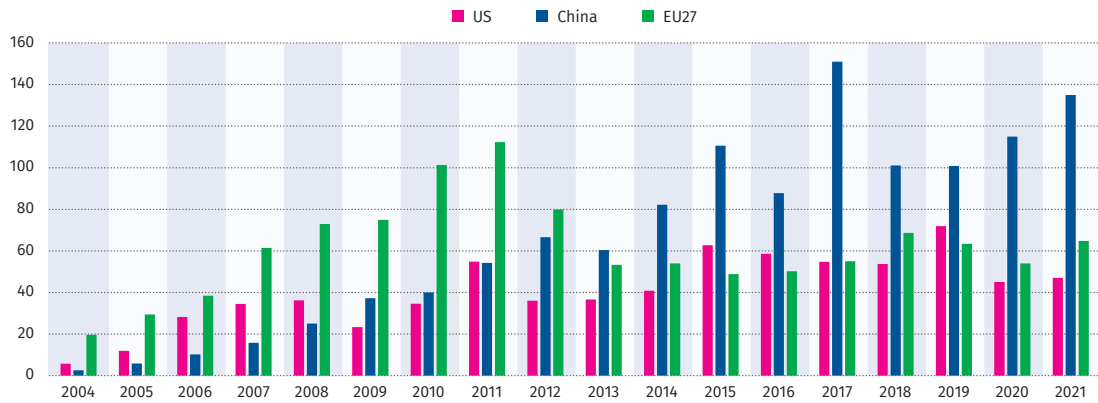
Source: BNEF (2022a).

Renewable energy generation

While in 2011 the EU was still the world leader in renewable energy investment, from 2013 onwards investment remained at around half of its 2011 level (Galgóczi 2020). This trend has not changed in the past couple of years, and EU investment in renewable energy in 2021 amounted to just about half of its 2011 peak, even if 2021 marked a 20% increase compared to 2020 and slightly surpassed the 2019 level. While the US showed a minor increase at a relatively low level, Chinese investment in renewables more than doubled in this period and, in 2021, was 20% higher than US and EU27 investment combined (Figure 4.10).

The relatively slow progress in renewables development in the EU is also shown by IEA data on renewables capacity additions and energy composition. After stagnation in 2020, renewables generation capacity improved by 20% in 2021. The share of renewable energy in the EU grew at the same time by only 0.1 percentage points, from 22.1% in 2020 to 22.2% (EEA 2022). The IEA notes that 2020 was an extraordinary year, during which consumption of non-renewables dropped considerably because of lower energy demand during the Covid-19 pandemic, thus pushing up the renewable energy sources (RES) share. In 2021, however, consumption of non-renewables experienced

Figure 4.10 New investment in renewable energy generation in the US, China and the EU27 (USD bn)



Source: BNEF (2022a).

a rapid rebound, although the growth of renewables remained constant.

The EU had set the goal of ensuring that 20% of its gross final energy consumption came from renewable sources by 2020, and that goal was met. Given the current trend, however, achieving the proposed 45% target set by the RePowerEU Plan (and backed by the European Parliament) for 2030 will require a doubling of investment in renewables, in line also with the need to speed up the energy transition in the new geopolitical constellation.

In the first half of 2022, global new investment in renewable energy amounted to 226 billion US dollars, recording an increase of 11% compared with the same period of 2021. This was the highest ever first half-year for investment in renewables, supported mostly by private capital funding (BNEF 2022a). China was the largest market yet again, investing 98 billion US dollars in the first half-year, up 128% compared with the same period in 2021.

Gender gaps in the energy sector

As regards potential employment effects (both in terms of job losses and job creation opportunities), gender gaps in both employment and wages in the energy sector are quite significant. A recent report by the IEA and the OECD, using representative employer-employee data, points to significant gender gaps in the energy sector, covering five European countries in depth, namely Austria, France, Germany, Portugal and Spain (IEA 2022d). Using three-digit level ISIC and NACE classifications to define

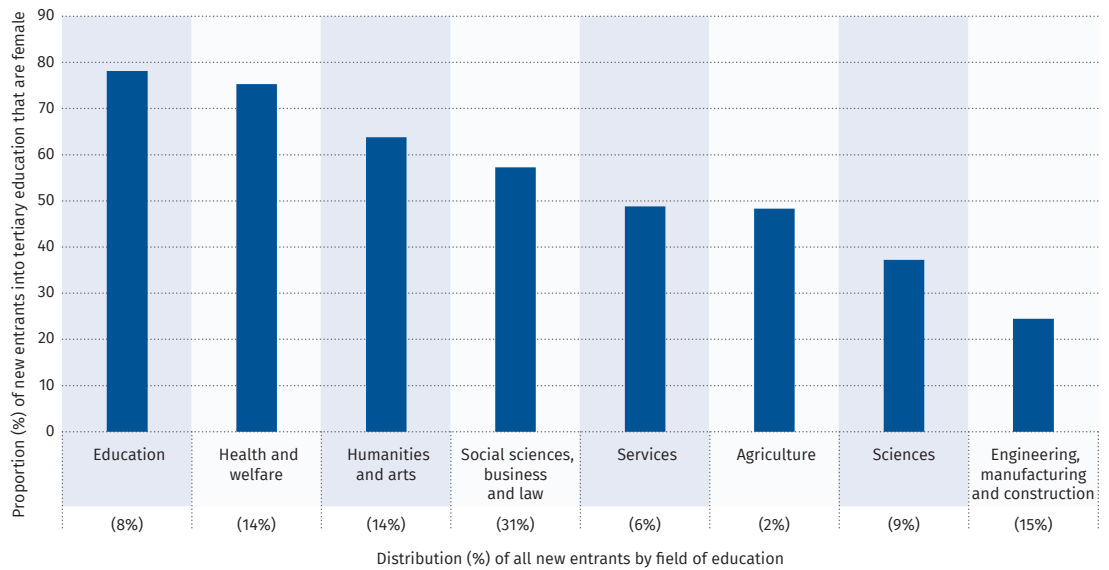
the energy sector³ and covering roughly the period 2002-2018, the study finds that, despite efforts to reduce the imbalance, significantly fewer women work in the energy sector than men, with the gender employment gap possibly amounting to almost twice the gap in the non-energy sector. Moreover, the wages of women in the energy sector are, on average, 20% lower than for men, which is found to be even greater than the wage gap in the non-energy sector in the sample studied. The wage gaps remain robust when workers' skill composition is taken into account, including measures for ability, education and potential experience. After detailed decomposition analysis and given the existing gaps, the report finds that women are more likely than men to quit jobs in the energy sector for jobs in another sector.

One of the root causes of these gender gaps and outcomes in the energy sector is related to the low number of women with STEM (science, technology, engineering and mathematics) degrees. According to OECD (2017), constituting less than 20 per cent of entrants into computer science programmes and around 18 per cent of entrants into engineering programmes, women are severely underrepresented in STEM

3. The following three-digit industry (ISIC/NACE) codes are used to define the energy sector jobs: 051 Mining of hard coal, 052 Mining of lignite, 061 Extraction of crude petroleum, 062 Extraction of natural gas, 072 Mining of non-ferrous metal ores, 091 Support activities for petroleum and natural gas extraction, 191 Manufacture of coke oven products, 192 Manufacture of refined petroleum products, 351 Electric power generation, transmission and distribution, 352 Manufacture of gas; distribution of gaseous fuels through mains, 353 Steam and air conditioning supply, 473 Retail sale of automotive fuel in specialised stores, 493 Transport via pipeline (IEA 2022d).

“
Achieving the proposed 45% target set by the RePowerEU Plan for 2030 will require a doubling of investment in renewables

Figure 4.11 Women are underrepresented in STEM fields in tertiary education



Source: OECD (2017).

fields (Figure 4.11). Competences in STEM fields are prerequisite to pioneer breakthrough innovation to fight climate emergency as well as boost renewable and clean energy technologies towards a zero-carbon future. Encouraging women to pursue STEM careers, ensuring family-friendly working conditions and working hours across all sectors but particularly in the energy sector jobs to make these jobs attractive to women, and removing any barriers for women to populate green jobs is a must to ensure a gender-balanced green and energy transition.

While renewables will clearly be an expanding sector with a great job creation potential, the gender gap that we currently see in the broad energy sector should not be the pattern in a new energy landscape.

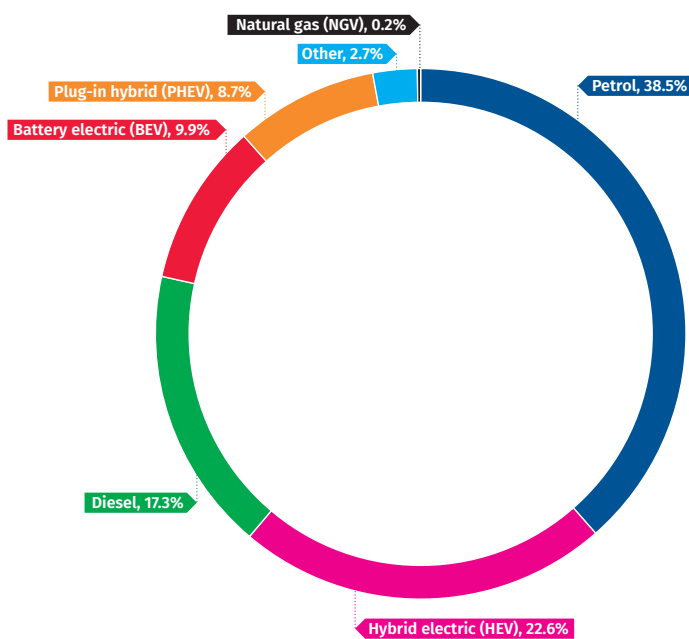
Clean mobility and inequality

As mentioned above, in the last couple of years dynamism in energy transition investments was focused to the electrification of road transport, while renewable investments were more subdued. This was particularly the case for Europe.

According to ACEA (2022), in the second quarter of 2022, sales of battery electric vehicles⁴ continued to expand in the EU, accounting for 9.9% of total passenger car registrations. Plug-in hybrid cars accounted for 8.7% of market share, up from 8.4% in the second quarter of 2021, despite a decline in the number of units sold, as shown by figure 4.12.

In terms of units, petrol sales plunged by 22.2% across the EU, counting 909,703 cars sold. Diesel

Figure 4.12 New car sales by fuel type in the EU (2022 2Q)



Source: ACEA (2022).

4. Battery electric vehicles (BEVs) have an electric engine only and are powered by a rechargeable battery; hybrid electric vehicles (HEVs) have both an electric engine and a combustion engine but do not have a battery; plug-in hybrid electric vehicles (PHEVs) have both engines and a battery. All three types are often referred to as electric vehicles (EVs), but only BEVs are fully electric. In electric mode, HEVs and PHEVs also have very limited autonomy and are seen as an interim stage in vehicle electrification.



The unbalanced nature of the mobility transition is striking

vehicles saw an even steeper fall (-27.7%), totalling 409 174 units (ACEA 2022).

During the second quarter of 2022, registrations of battery electric vehicles (BEVs) in the EU grew by 11.1%, amounting to 233 413 cars sold. The trend in BEV sales was very uneven across Member States. Spain and France contributed to the positive performance of BEVs, posting double-digit gains (+22.0% and +18.6% respectively). Italy, on the other hand, posted a substantial fall (19.6%), while Germany witnessed slight negative growth (-0.5%).

East-West divisions were enormous, as 96% of fully electric vehicles were sold in the 14 Member States (EU Members before 2004), and, at only 4%, 17 700 vehicles were sold in Member States from Central and Eastern Europe (although they saw a very vigorous increase).

Table 4.2 **Battery electric vehicle sales in the EU, first half of 2022, and change compared to first half of 2021 (%)**

Area	Units sold	Change, %
EU27	457 600	28.4
EU14	439 800	26.4
EU13	17 700	111.0

Source: ACEA 2022.



Electric cars are increasingly unaffordable as cars become bigger, heavier and more expensive

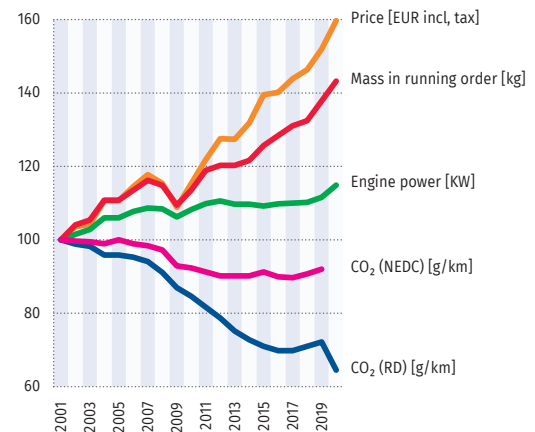
Seen from a global perspective, the unbalanced nature of the mobility transition is striking. Global passenger EV sales keep on climbing: in 2022, they are expected to reach a record 10.6 million, an increase of over 60% compared with 2021 (BNEF 2022b). China has been the main driver of the momentum, with one in five passenger cars sold in the second quarter of this year being battery electric. Electric car sales in China are forecast to hit 6 million in 2022, to make up 60% of global sales. China is important as a trend-setter in electric mobility – it is a major market for EU manufacturers and a serious competitor; see more details in Lüthje (2021).

Electric car sales (BEVs and PHEVs) have also boomed in Europe in recent years, totalling 920 000 vehicles sold in the first half of 2022 (BNEF 2022b), and the US market has also been expanding fast. China and Europe accounted for 84% of EV sales in this period, and, with the US, these three regions made up 95% of worldwide sales. This also shows that the majority of the world's population is excluded from this development (BNEF 2022c).

A further aspect that underlines this inequality is that cars are becoming bigger, faster, heavier and more expensive. Electromobility is not only unaffordable for the majority of the population, but it is also becoming increasingly unaffordable. In part due to the EU regulation on car emission standards that allows higher CO₂ emissions for larger cars (weight-adjusted CO₂ standards), new cars sold in Europe in the past decade were becoming heavier, more powerful and more expensive, as Figure 4.13 shows (see more in Pardi, 2022).

There are two main reasons why unaffordability of electric vehicles is a serious problem. Firstly, it might create a two-class mobility system, as only those who can afford the high entry costs can benefit from individual mobility, with public transport becoming the default option for the less well-off. This is all the more worrying as investments in public transport infrastructure have been neglected for decades (Greenpeace 2022), with fragmented European transport networks, in particular in rail transport (Sippel et al. 2018). Secondly, under these conditions, a vehicle fleet change in the EU that assumes the replacement of tens of millions of polluting cars with electric ones within a limited period of time does not seem to be achievable.

Figure 4.13 **The average new car sold in Europe (price, mass, engine power and CO₂ emissions), 2001-2020**



Source: Pardi (2022).



Struggling to strike a balance between climate and social objectives

Response measures to the energy crisis

EU level

Following Russia's invasion of Ukraine, in March 2022 the European Commission published a new communication called 'REPowerEU' (European Commission 2022) setting out new actions to ramp up the production of green energy, diversify supplies and reduce demand focused primarily on gas. The Plan was officially launched in May 2022 with more details on how to reach the declared objectives. The 2030 targets for energy efficiency were raised from 9% to 13%, and the share of renewable energy from 40% to 45%. It also sets out recommendations to speed up permitting procedures for new wind and solar projects. In terms of diversification of energy imports, it proposes to set up an EU Energy Platform with a voluntary operational joint purchasing mechanism as a next step. Upgrading and adapting Europe's energy infrastructure in line with changing patterns of transport energy needs, while ensuring that infrastructure is ready for the uptake of hydrogen and ammonia, will come at considerable cost. The Commission's proposal seeks to tackle this with 300 billion euros made available from untapped loans of the Recovery and Resilience Facility (225 billion euros), topped up with additional funding coming from the auctioning of reserved ETS (Emissions Trading Scheme) allowances, and provision for the transfer of up to 12.5% of Member States' Cohesion Funds.

A further communication was released on 23 March 2022 to present the benefits and drawbacks of concrete exceptional short-term measures to address the effects of price spikes. These measures include both income support and temporary state aid to help counter price effects on households and industry, but also action on retail prices through reduced taxation, a cap on electricity prices and so forth. Following on from the European Commission Guidelines on State aid for climate, environmental protection and energy, the Temporary Crisis Framework enables Member States to use the flexibility foreseen under State aid rules to support the economy in the context of Russia's invasion of Ukraine.

Although phasing out fossil fuel subsidies was included in the Glasgow Climate Pact and IMF researchers (Parry et al. 2021) pointed to their

inefficiency, in the current situation direct subsidies of some sort seem to be unavoidable. These must, however, be temporary and targeted at the poor. Providing a subsidy to everyone gives the wrong message. Subsidies that can be targeted are income subsidies, while price subsidies are blunter instruments. Furthermore, to reduce energy bills and the erosion of real wages, EU and Member State interventions should also reinforce the incentives for energy efficiency and savings. The energy efficiency first principle is more relevant than ever and should be applied across all sectors and policies, with demand response measures complementing those on the supply side.

National support measures

The overall responses can be divided into two main groups: immediate and medium-term measures. The former aim to minimise the impact on end users, while the latter – most prominently represented by the REPowerEU Plan launched by the Commission in May 2022 – consist of strategic plans aiming to accelerate the transition to green energies, cut dependence on Russian fuels and diversify suppliers, and reduce demand focused primarily on gas. European Union Member States are largely responsible for their national energy policies, and EU rules allow them to take emergency measures to protect consumers from rising costs.

So far, short-term responses to the energy cost surge at national level have mostly been broad-based measures, including subsidies, tax cuts and price controls. According to a recent IMF working paper (Celasun et al. 2022), policy-makers should shift decisively away from such broad-based measures towards targeted relief policies, including income support for the most vulnerable. Targeted income support is the most socially appropriate and climate-friendly measure for mitigating the impact of high energy prices.

With regard to measures oriented specifically towards end users, each country has decided to implement a particular set of rules, depending on its specific context and market framework. In general terms, these measures consist of VAT and other tax reductions, bill discounts, price

Table 4.3 **Main categories of national measures (and their funding) to shield consumers from higher energy prices***

Country	Energy/ VAT tax cut	Retail price	Whole-sale price	Transfers to the poor	Mandate to state firms	Windfall profits tax	Support to business	State funding*	
								Bn EUR	% GDP
Austria	✓			✓			✓	9.1	2.3
Belgium	✓	✓		✓				4.1	0.8
Bulgaria	✓	✓				✓	✓	0.8	1.2
Czechia	✓	✓		✓	✓			5.9	2.5
Denmark				✓				0.5	0.1
France	✓	✓		✓	✓	✓		44.7	1.8
Germany	✓			✓		✓	✓	60.2	1.7
Greece		✓		✓		✓	✓	6.8	3.7
Italy	✓			✓		✓	✓	49.5	2.8
Lithuania		✓		✓				2.0	3.6
Netherlands	✓			✓				6.2	0.7
Poland	✓	✓		✓				7.6	1.3
Romania	✓	✓		✓		✓		3.8	1.6
Spain	✓	✓	✓	✓		✓		27.3	2.3

* Funding between September 2021 and August 2022 (based on calculations by Bruegel).
Source: Sgaravatti et al. (2022), Celasun et al. (2022), Eurelectric (2022).



Most spending is dedicated to sustainable mobility, energy efficiency and renewable energy

caps and different forms of bonuses or funds for vulnerable households, as well as clawbacks, revenue deductions and bailouts for companies. Only Spain and Portugal have enacted measures touching on the redesign of the power market and its decoupling from gas. The 2022 March European Council decided to allow both Spain and Portugal to implement specific price decoupling measures, taking into account the 'Iberian singularity'. These are the only national measures that affect wholesale prices; all others focus on retail prices. An overview of the national measures (briefly described below) can be found in Table 4.3.

The table shows that most Member States have used tax cuts on energy and have also introduced price reduction or control measures in the retail energy price. Similarly, most Member States have targeted measures for vulnerable (low-income) groups. Even if targeted measures exist, in most Member States these are not substantial, and they are often supplementary. This is not the place to present national policies; what can be said, on the basis of available overviews (Sgaravatti 2022; Eurelectric 2022), is that broad-based measures are dominant, and this does not benefit either climate and environmental policy or equity objectives.

There are significant differences across Member States as to the scale of the measures. Greece spent the most on energy price relief measures

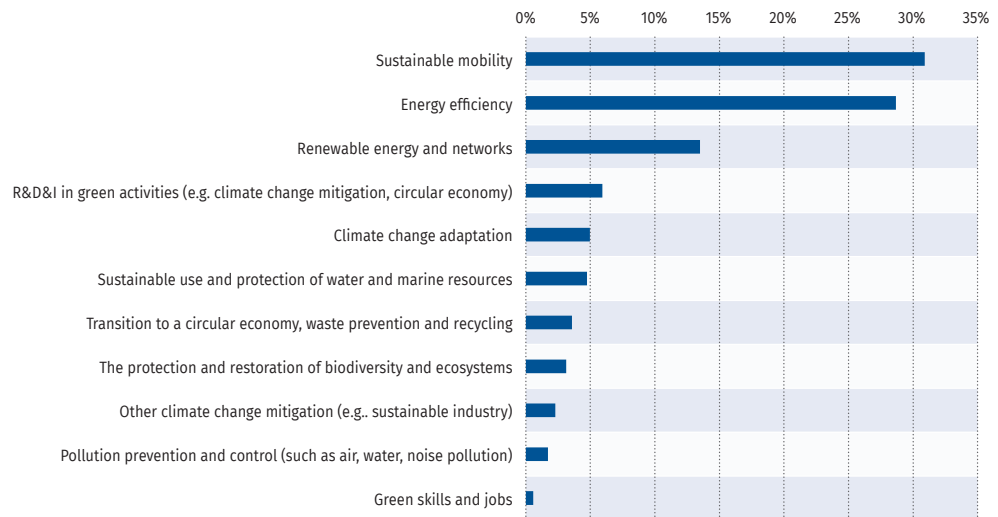
when compared to its GDP, 3.7%, while Denmark spent the least with a mere 0.1%. Lithuania, Italy, Czechia and Spain followed (all over 2% of GDP), while France and Germany spent close to 2%.

It is too early to take stock of these response measures, as policies are changing month by month (e.g. Germany's 200 billion euros package was announced in October 2022, initially without a detailed list of measures). Policies also have very different time spans, from a few months up to two years, which makes comparison harder. Member States have highly varying fiscal capacity to back up such measures, posing a risk of widening disparities among Member States and raising important questions about European solidarity.

Tracking national recovery and resilience plans

Following the submission of the national recovery and resilience plans, the Commission set up an online scoreboard to document and track progress on the implementation of measures to contribute to the green transition, environmental sustainability and preservation of biodiversity, as proposed in the national plans. According to the scoreboard, a total of 923 measures have been proposed by all Member States, and 91.4 billion euros in grants and

Figure 4.14 Breakdown of expenditure supporting the green transition per policy area



Source: European Commission (n. d.)

45.2 billion euros in loans have been disbursed to Member States so far. The following Figure 4.14 displays a breakdown of expenditure supporting the green transition per policy area, ranging from sustainable mobility and energy efficiency to climate change adaptation and green skills and jobs, as a share of the overall budget for all Member States. It suggests that the major part of spending by countries is dedicated to sustainable mobility, energy efficiency and renewable energy and networks.

Conclusions with a ‘beyond growth’ outlook



There is a need for a profound paradigm shift in production and consumption patterns

The notion of degrowth and sustainable well-being is increasingly under discussion (Galgóczi and Pochet 2022) – at least for advanced economies – and economic reality also makes it more likely that the days of high growth are over. The trends outlined in this chapter clearly show what a world beyond growth should not look like. Current developments in the world and Europe are pointing in a different direction: instead of lower carbon footprints and lower inequality, we have seen higher emissions and growing inequality. First, we have shown that global greenhouse gas emissions have been rising at a record level, with the strongest coupling of economic growth and emissions seen in the past decade. Even 2022 trends show a further likely increase in emissions at global level. The main reason that this increase will be limited is the impact of the energy price increases and the related cost-of-living crisis with significantly lower economic growth than previously expected. Needless to say, it is the lower-income groups and poorer countries that shoulder most of the burden. COP27 failed to make a commitment to consolidate the 1.5°C warming target and the phase-out of fossil fuels, with the consequence that the Paris targets are receding.

Inequality is set for further increase both across and within countries. Europe’s energy crisis is particularly intense because of its high reliance on Russian fossil fuel imports. Europe has missed its chance to increase its energy and economic resilience in better times in a forward-looking way; now it is being forced towards greater resilience at a very high price.

Energy poverty was already significant and, in some Member States, it was alarmingly high even before the energy crisis. According to forecasts cited above, 60 million people may be affected by energy poverty by the end of 2022.

This chapter showed that certain otherwise positive developments can also contribute to a further rise in inequality. Energy transition investment has shifted towards the electrification of transport, and while investment

in renewable energy generation is rising further (although Europe’s performance was rather disappointing), investment in clean mobility is soaring. The downside of this trend is only that the increased emphasis on electric mobility contributes further to inequality. Over 95% of global new electric car sales are concentrated in China, Europe and the US, which means that the majority of the world’s population is excluded. Europe has its own inequality, as 96% of electric car sales in the year up to mid-2022 were recorded in the EU14 Member States (those that were EU members before 2004). Electric cars are not only unaffordable for ordinary people, but they are also increasingly unaffordable as cars become bigger, heavier and more expensive.

The energy transition also raises concerns from the gender perspective, with significant employment and wage gaps observed in energy-intensive sectors between men and women, in besides gender differences in energy consumption and individual emission patterns.

After looking at EU and national response measures to the energy crisis, a fragmented picture reveals that these are not properly targeted, as it is the poor who are most affected by the energy price increases and, in a broader sense, by the cost-of-living crisis. This is certainly not what a just energy transition should look like. The outcome is not optimal neither for climate objectives nor for greater equity. Embarking on an economic model that could bring less resource and material use and more well-being would need a profound paradigm shift in production and consumption patterns. This would presuppose deep societal and behavioural change. We are moving in the opposite direction. Most efforts are being targeted towards preserving old patterns. In mobility, the engine is being changed in a way that is not affordable for most. Poorly targeted relief measures to cope with the energy crisis also risk reinforcing old structures, while not reducing inequality.

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5. Social sustainability at work and the essential role of occupational safety and health



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Topics

Introduction	123
Work-related accidents	124
Work-related illnesses: asbestos	127
Work-related psychosocial risks	130
The EU OSH legal framework and the world of work in transition	134
Conclusions	138



A socially responsive transition with equity of worker protection and rights must be the point of departure for the workplaces of tomorrow

**Paula Franklin, Pierre Bérastégui,
Aude Cefaliello and Tony Musu**

Introduction

This chapter highlights occupational safety and health (OSH) as one of the key components of social sustainability in the context of the major concurrent transitions under way in the world of work.

Social sustainability is one of the three key pillars of sustainable development, alongside environmental sustainability and economic sustainability. In this model, the social dimension is constructed in relation to the other dimensions; for example, it has often been argued that, at EU level, the balance has long been tipped in favour of economic sustainability (European Parliament 2020; Polomarkakis 2020). While social sustainability as a concept has been dubbed ‘fuzzy’, with no blueprint conceptualisation in either policy documents or academic papers, there are EU policies that focus directly on the issue, including the EU Strategic Framework on Health and Safety at Work 2021-2027 (European Parliament 2020). The strategy strives for improved prevention of accidents and illnesses, highlighting that OSH risks continue to be a substantial cause of morbidity and mortality in the EU, with stress contributing to around half of all lost working days, and more than 200 000 workers dying each year from work-related illnesses. The EU’s OSH strategy also acknowledges that the changes in the world of work brought about by the twin transition – green and digital – pose challenges to workers’ safety and health (European Commission 2021a). A case in point is the transformation of the existing housing stock into eco-sustainable dwellings as part of the green transition. This will involve an unprecedented shake-up of the construction industry, which is dealing with the demolition of some 35 million buildings containing asbestos, a workplace carcinogen (ETUC 2022). Furthermore, it is anticipated that digitalisation will increase the number of European workers exposed to work-related psychosocial risk (PSR) factors such as cognitive overload, task repetitiveness and psychosocial demands induced by permanent electronic monitoring and surveillance of workers’ performance, as well as algorithmic human resources management (EU-OSHA 2021a).

In the context of this twin transition, a traditional bifurcation of hazards between those that affect physical health and those with mental health impacts can be observed. This chapter clarifies the situation by describing EU-specific trends in occupational safety and health and benchmarking the situation in respect of physical risks (work-related accidents and worker exposure to asbestos) and psychosocial risks against the stated ambition of the EU’s OSH Strategy to improve the prevention of work-related accidents and illnesses and the ‘Vision Zero’ approach to eliminating work-related deaths in the EU. The EU’s OSH strategy furthermore states that it is time to ‘ensure that occupational safety and health is fit for the future’ (European Commission 2021b), and this chapter assesses the fitness of the EU’s legal framework on OSH for the transitions and the future.

Work-related accidents



Evidence shows that the long-term 20th-century trend towards safer workplaces is levelling off and may have reached a plateau

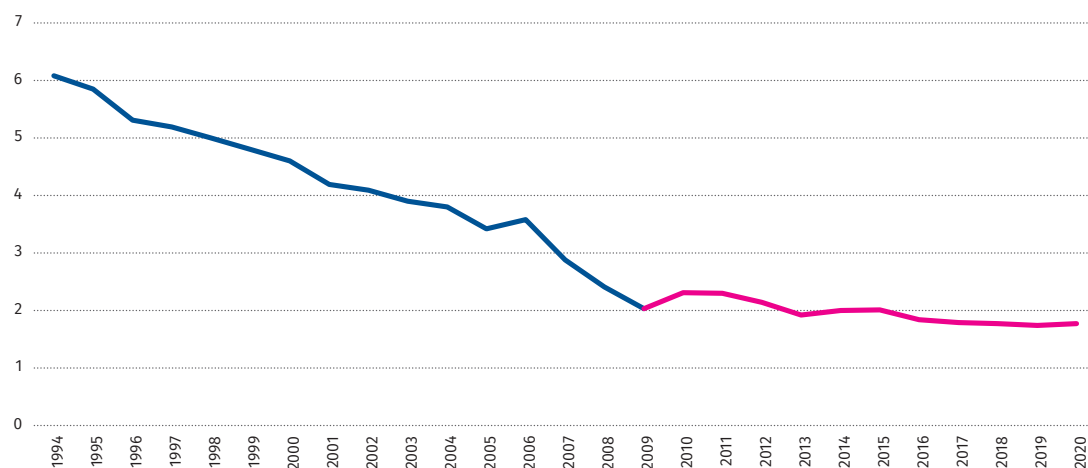
Great progress was made in terms of workplace safety during the 20th century, with the workplace becoming considerably safer. Increasingly strict regulations, more effective personal protective equipment, constantly improving machinery safeguards and greater awareness of the risks of heavy manual work ensured a steady decrease in the frequency and severity of work-related accidents in Europe. Another key factor was the long-term process of deindustrialisation and the outsourcing of manufacturing, resulting in a shift towards service industries (De Backer et al. 2015), with many service jobs being less likely to be associated with poor working conditions than jobs in the goods-producing sector (OECD 2001). In Germany, for instance, the number of fatalities at work per year decreased from 10 000 deaths one century ago to a little over 500 deaths in 2011. Although the importance of improving safety and health at work is increasingly widely recognised, evidence shows that the long-term 20th-century trend towards safer workplaces is levelling off and may have reached a plateau. The rate of fatal accidents at work in the EU decreased by about 26% between 2009 and 2020, compared to 60% between 1998 and 2009 (Figure 5.1). Between 2016 and 2020, the rate of fatal injuries at work remained broadly level at 1.8 per 100 000 workers; in 2020, there were 2.7 million accidents at work in the EU27, of which 3 355 were fatal.

There are significant differences between the Member States in terms of recent developments

in the rate of fatal accidents at work. Figure 5.2 shows the changes in the incidence of fatal accidents at work during the 2018-2019 and 2019-2020 periods. Despite the temporary halt of many economic activities, rates increased in 13 Member States in 2020 compared to the previous year. The largest increase was in Cyprus, where the rate increased almost twofold over a year, from 2.45 to 4.45. There were two additional Member States where the rate rose by more than 1 per 100 000 persons employed: Italy and Malta. In Italy, the increase resulted in the largest death toll of all Member States, with an additional 285 deaths compared to the previous year. At the other end of the spectrum, Luxembourg recorded the largest decrease in the accident rate, with a reduction of 1.42 deaths per 100 000 persons employed, followed by France with a reduction of 0.99. In France, the decrease in the incident rate resulted in the largest absolute decrease in the number of fatal accidents, with 262 fewer deaths compared to the previous year. However, this large reduction – when viewed in the context of the steep increase that occurred during the preceding period (0.79) – essentially marked a return to the norm.

More generally, a comparison of the 2018-2019 and 2019-2020 periods shows that the overall picture is heterogeneous not only between Member States but also over time, with significant variations in both directions from one period to the other. This is partly explained

Figure 5.1 Rate of fatal accidents at work between 1994 and 2007 for common economic sectors in the EU15 + Norway, and between 2008 and 2020 for all economic sectors in the EU27 (incident rate per 100 000 workers)



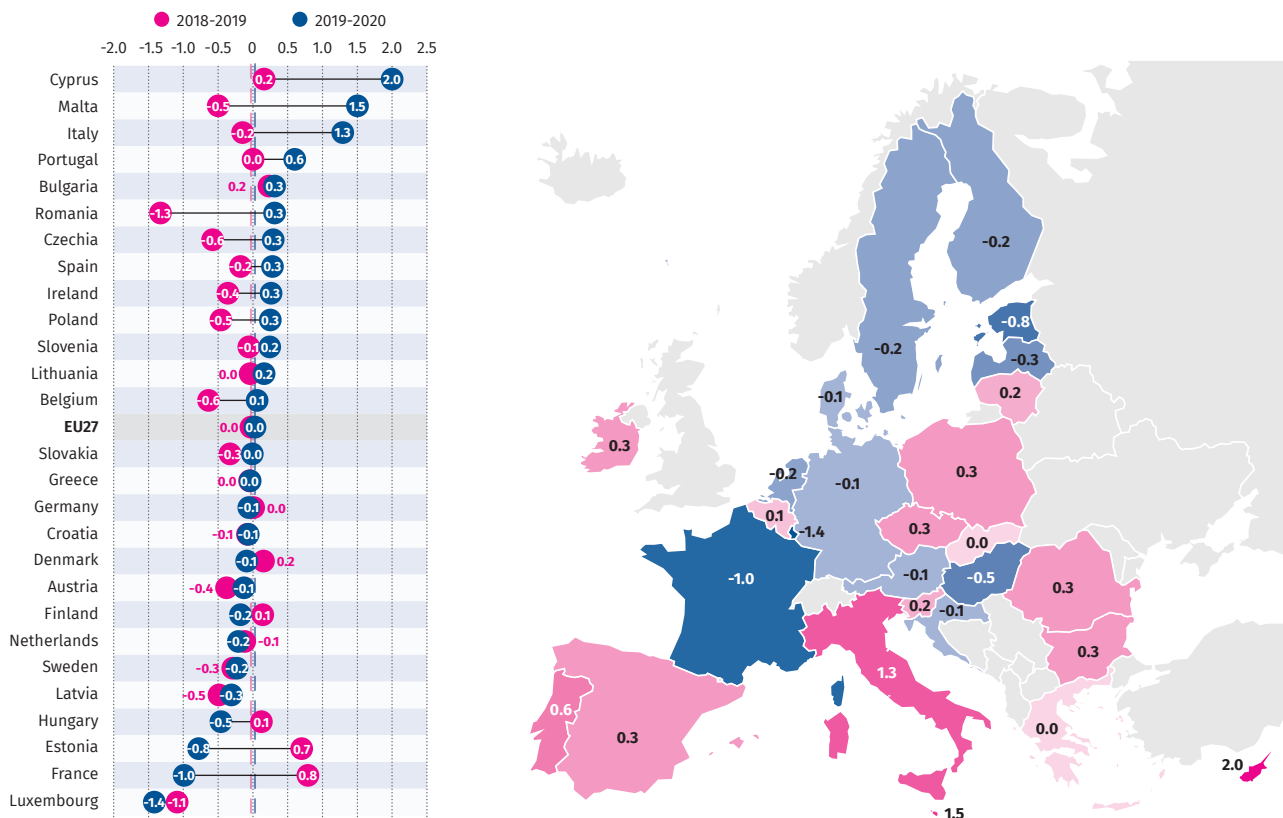
Note: Data for common economic sectors in EU-15 + Norway (1994 - 2007), and for all economic sectors in EU-27 (2008 - 2020). Source: European Commission (2021c).

by the fact that the likelihood of having an accident depends, among other factors, on the economic activity in which a person is engaged. For instance, in 2020, around two thirds of fatal accidents at work took place in the following sectors: construction (21.5%), manufacturing (15.2%), transportation and storage (15%) and agriculture, forestry and fishing (11.4%). The relative weight of these activities varies between countries according to the structure of each domestic economy, and also over time due to changes in the level of economic activity of each sector. Given that these sectors were massively impacted by the lockdown measures resulting from the Covid-19 pandemic, it is no surprise that several Member States recorded an improvement in the overall rate of fatal accidents between these two periods. Yet, despite the temporary halt of these sectors, the trend recorded by 11 Member States actually pointed in the opposite direction, moving from a reduction in incidence between 2018 and 2019 to an increase between 2019 and 2020. Overall, no consistent pattern can be observed across countries in terms of how the Covid-19 pandemic has impacted fatal workplace accidents.

With the overall rate of improvement slowing down and the trend becoming more erratic,

the Vision Zero adopted in the EU Strategic Framework 2021-2027 seems a long way off. A linear regression analysis shows that fatal accidents at work would end by 2062 in the EU27 if the pace of change were similar to that during the 2010-2019 interval. In this scenario, a total of 25 166 workplace deaths should be expected by the end of 2029. Forecast analyses on a country-by-country basis indicate that Poland would reach the target first in 2028, followed by Portugal and the Netherlands in 2032. In contrast, fatal accidents at work would end in 2124 in Italy at the current rate of progress, and would never end in Croatia, Greece, Malta, Spain and Hungary. Analysis of this kind provides an estimate of the zero horizon only if it is assumed that the trend will progress at a pace similar to the 2010-2019 interval and in a linear fashion. Yet it is unlikely that the trend will follow a strictly linear pattern; this follows from both the aforementioned reasons and the evolving nature of occupational risks in the context of the rising pace of innovation and changes in working life. Moreover, the decrease is likely to level out more and more as the downtrend progresses. This analysis does, however, succeed in showing the discrepancies between Member States in the context of the

Figure 5.2 Changes in the rate of fatal accidents at work during the 2018-2019 and 2019-2020 periods (change in incident rate per 100 000 workers compared to previous year)



Source: Own calculations based on Eurostat (hsw_n2_02).



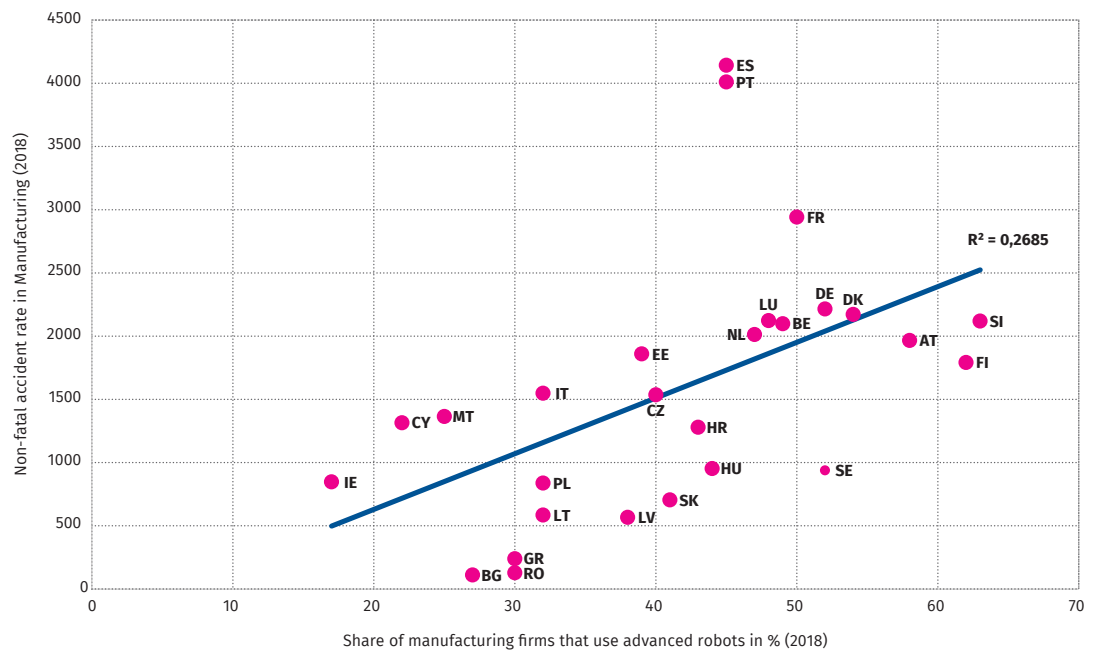
Analysis reveals a higher incident rate of non-fatal accidents in countries with a higher share of manufacturing firms using advanced robots

zero-death target, and the implications of the plateau that has been observed in recent years. A comparison with the same analysis conducted last year does, in fact, reveal that the zero-death horizon has been pushed back by five years in the case of Czechia and 82 years in the case of Italy, for instance. Finally, the anticipated wave of green renovations is likely to impact workers in the construction sector, which boasts the highest rate of fatal accidents and insufficient protection against asbestos, and this might hinder achievement of the zero-death target yet further.

The digital transition calls for a new era of automation and data integration in the manufacturing industry. Digital advances in areas such as cloud computing, robotics and artificial intelligence are expected to cut operating costs, enhance velocity and enable customer-centric products. However, multiple case studies highlight that such systems are not without risks for workers. For instance, the Center for Investigative Reporting (CIR) revealed a mounting injury crisis at Amazon warehouses, one that is especially acute at robotic facilities.

The CIR report showed that grabbing and scanning operations have increased from 100 to 400 an hour, and the rate of serious injuries was more than 50% higher than in non-robotic warehouses. Industrial robot accidents are not tracked by reporting agencies at EU level, but instead are grouped with other industrial accidents, making it difficult to assess the risks associated with the use of advanced robotics. In an attempt to shed light on the matter, Figure 5.3 plots the share of manufacturing firms using advanced robots against the incident rate of non-fatal accidents in manufacturing in 2018, by country. This reveals a moderate positive linear association: incident rates in manufacturing tend to be higher in countries with a higher share of manufacturing firms using advanced robots, with two clear outliers (Spain and Portugal). The findings do not prove causality, and a complex web of factors is involved in explaining cross-national differences. However, they suggest that further attention should be paid to the development of advanced robotics in the EU27 and to its impact on key OSH indicators.

Figure 5.3 Share of manufacturing firms using advanced robots against non-fatal incident rate in manufacturing in 2018, by country



Note: Significant with $R^2 = 0,2685$.
Source: Own compilation based on Eurostat (hsw_n2_01) and European Investment Bank (Investment Survey 2019/20).

Work-related illnesses: asbestos



Between 2 and 4 million people have died in the EU as a result of exposure to asbestos, the vast majority being asbestos workers

A major component of the green transition is the construction sector, which must rise to the challenge of rapidly transforming the built environment into a more sustainable version of its current form. This will lead to an increase in workers' exposure to hazardous substances, including asbestos. Over 220 million building units were constructed in the EU before the total ban on asbestos, and a significant portion of today's building stock therefore contains asbestos. With the adoption of the European Green Deal and the Renovation Wave for Europe, it is expected that most of these buildings will undergo maintenance, renovation or demolition. The goal set by the European Commission is a doubling of the annual rate of energy renovations by 2030. Between 4.1 and 7.3 million workers are currently exposed to asbestos in the EU, with 97% working in construction, and that number is expected to increase by 4% per year for the next 10 years (Garrett and Warming 2021). A whole generation of workers, mainly in the construction sector but also in the general population as a result of environmental contamination, will therefore be at increased risk of exposure to asbestos fibres if the necessary measures are not put in place.

Inhalation of asbestos fibres can cause asbestosis and different types of cancers, including mesothelioma and lung, laryngeal and ovarian cancers. The risks of contracting these diseases increase with the number of fibres inhaled. In most cases, symptoms develop only after a long latency period of 20-40 years. Although the manufacture of asbestos and its placement on the market and use have been banned in the EU since 2005 (or much earlier in some Member States), there is still no decline in deaths from asbestos-related diseases. Today, asbestos kills around 90 000 people every year in the EU as a result of lung cancers and mesothelioma (Table 1), and the mortality rate will continue to rise for at least one or two more decades in Europe.

The construction industry is the third largest sector in the EU, and 10% of the individuals working in this sector are cross-border workers, including a significant share of self-employed workers (European Commission 2021c). The share of temporarily posted workers from low-wage countries is very high (De Wispelaere

and Pacolet 2017). These workers, who are particularly vulnerable to breaches of health and safety standards, are often unaware of the dangers of the deadly fibres, and, in most countries, there is a lack of the necessary awareness, training and safety precautions.

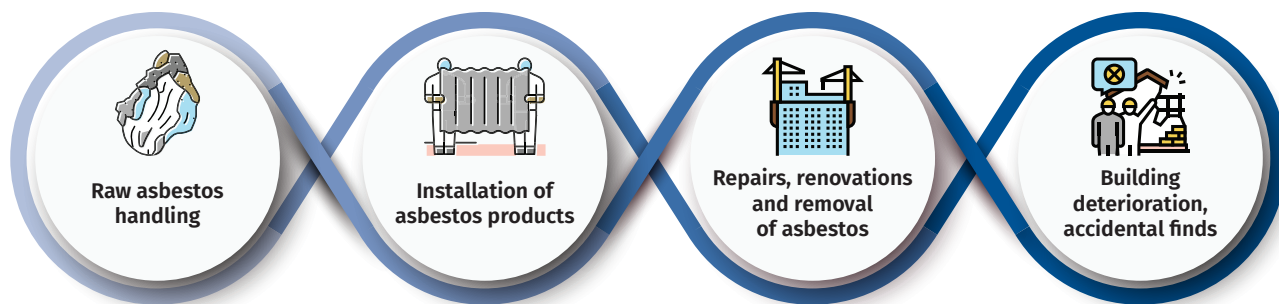
Table 5.1 Occupational cancer deaths due to asbestos, EU27, 2019

Country	Occupational cancer deaths	Country	Occupational cancer deaths
Austria	1 929	Italy	10 348
Belgium	2 140	Latvia	403
Bulgaria	1 432	Lithuania	611
Croatia	744	Luxemburg	128
Cyprus	184	Malta	112
Czechia	2 349	Netherlands	3 979
Denmark	1 275	Poland	7 292
Estonia	297	Portugal	2 176
Finland	1 163	Romania	3 845
France	12 038	Slovakia	1 114
Germany	18 730	Slovenia	435
Greece	1 733	Spain	8 762
Hungary	1 999	Sweden	2 273
Ireland	1 029	Total	88 520

Source: Institute of Health Metrics and Evaluation, Global Burden of Disease and Injury, IHME/GBD, The Lancet Oct 2020, <https://vizhub.healthdata.org/gbd-compare/>

The medical community has been aware of the adverse health effects of this deadly substance since the early 20th century, when the first cases of asbestos-related mortalities were diagnosed and documented. Despite this knowledge, the use of asbestos continued, *inter alia* due to the scandalous efforts of the pro-asbestos lobby to denigrate the risks associated with asbestos exposure and to keep vital information out of the scientific literature and the popular press (Michaels 2008). The use of asbestos reached its heyday after World War II, when it was used in ever greater amounts in a continuously growing number of products in industry and building construction. Since then, it is estimated that between 2 and 4 million people have died in the EU as a result of exposure to asbestos, the vast majority being asbestos workers.

Figure 5.4 The four waves of asbestos exposure



Source: Adapted from DOI: 10.3390/ijerph19074031.

Different epidemiological ‘waves’ of human exposure to asbestos can be distinguished (Figure 5.4). The first wave was composed of miners and workers in the asbestos industry. The second wave was composed of carpenters, plumbers, electricians, car mechanics and others having worked with asbestos-containing material. The third wave is composed of all workers involved in the repair, renovation and removal of asbestos, and the EU will experience a fourth wave composed of people exposed to the asbestos deteriorating over time in the buildings (or nearby) where they work or live. These different waves overlap due to the very long latency period between exposure and onset of asbestos-related diseases. Moreover, since the exposure history of most asbestos victims has not been recorded, it is difficult to estimate the number of deaths associated with each wave.

The asbestos-related cancers that we see today are likely to be the result mainly of the third wave of exposure in combination with the very end of the first wave, the decline of the second wave and the start of the fourth wave of exposure. This is corroborated both by the fact that the production of asbestos in Europe all but ceased after 1985 due to the introduction of the first restrictions in EU legislation and the rising incidence of mesothelioma (a cancer almost exclusively caused by asbestos exposure, but observed in recent years in patients with no history of occupational exposure).

Both a comprehensive strategy on the safe removal of all asbestos and ambitious legislation on this topic at EU level are urgently needed in order to halt the third and fourth waves of human exposure to asbestos and ensure a just and socially fair transition in the construction sector.

In September 2022, the European Commission published a proposal for a revised version of the Directive on the protection of workers from the risks related to exposure to asbestos at work (European Commission 2022). The aim of the proposal is to lower the occupational exposure limit (OEL) value, which is a minimum requirement in all Member States and has remained unchanged since 2003, from 100 000 fibres/m³ to 10 000 fibres/m³.

This reduction clearly does not go far enough to provide adequate protection for the health and safety of exposed workers. Back in 2007, the Netherlands adopted a national OEL of 2 000 fibres/m³, and the European Parliament, in a resolution adopted in 2021 (EP 2021), called for the EU limit value for asbestos to be lowered to 1 000 fibres/m³ (a reduction by a factor of 100 compared to the current value). This much stricter limit value is also supported by the European trade unions, which are demanding further improvements to the text (ETUC 2021). Yet an exclusive focus on the limit value is far too narrow an approach in view of the challenges. Many Member States have already adopted other

measures, such as the mandatory identification of any asbestos that is present in buildings and the introduction of specific requirements for different kinds of work with asbestos.

The EU has a chance of safely removing, once and for all, this dangerous carcinogen from the European building environment. If the EU does not take up the synergistic opportunity to solve this issue offered by the Green Deal, the Renovation Wave and the recovery plan for Europe, the deadly asbestos legacy will be passed on to the next generation of workers and building inhabitants and users. To stop this lethal trend, it is high time that a comprehensive strategy was adopted for the safe removal of all

asbestos in the EU. The strategy should focus on the recognition and compensation of all asbestos-related diseases and incorporate a legal framework for national asbestos removal plans, including an assessment of the extent of the problem and of the associated costs, details of who will bear these costs, commitments of adequate public financial support and a clear timeline indicating the dates by when this should be accomplished.

As a reminder, occupational cancers are preventable, and their cost in the EU accounts for between 270 and 610 billion euros per year, or 1.8% to 4.1% of the EU's GDP (Vencovsky et al. 2017).



Work-related psychosocial risks

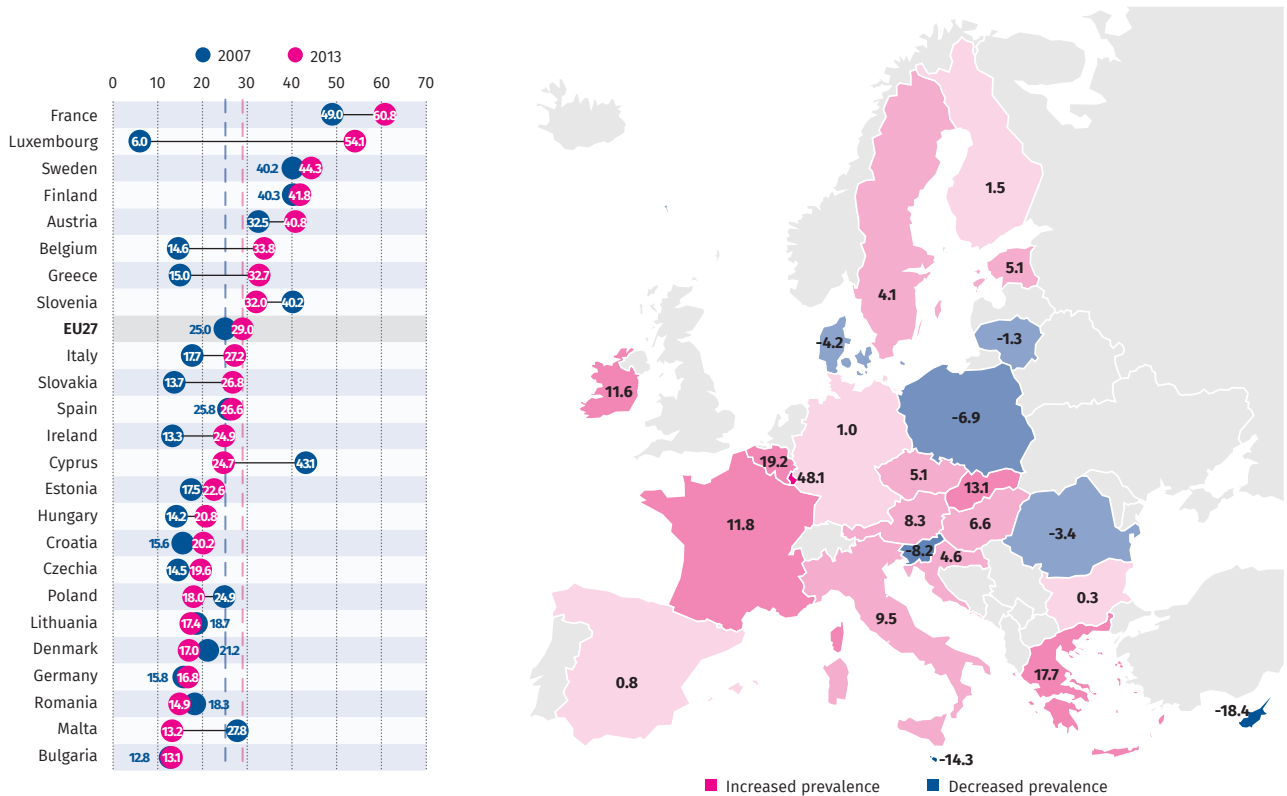
44.6% of workers in the EU were exposed to at least one psychosocial risk factor at work.

Another notable OSH trend in Europe is the rising prevalence of psychosocial risks: Figure 5.5 shows the percentage of persons in employment reporting exposure to risk factors that can adversely affect mental health. The data were collected as part of the 2007 and 2013 ad-hoc modules of the EU Labour Force Survey (EU-LFS) and cover people aged 15 to 64. Prevalence rose by 4% between 2007 and 2013 in the EU27, with almost one in every three workers being exposed to at least one psychosocial risk factor in 2013. The largest increase was for Luxembourg, where a ninefold difference in the rate of workers exposed was observed. The percentage of exposed workers rose in 17 Member States, with five countries recording a double-digit increase.

The 2007 and 2013 waves of the EU-LFS included only three factors relating to mental health at work: harassment or bullying, violence or threat of violence, and time pressure or overload of

work. The theoretical background underpinning the 2020 edition of the survey departed from a focus on abusive behaviours (e.g. harassment, bullying, violence) to a broader perspective, including a greater emphasis on the organisation of work. In 2020, 44.6% of workers were exposed to at least one psychosocial risk factor. As shown in Figure 5.6, a clearer and more complete picture of the situation can be obtained by recognising that the five additional factors included in the 2020 wave account for a large share of the exposure. Dealing with difficult customers and job insecurity are the second and third most frequent risk factors for mental health at work, mentioned by 10.4% and 6.1% of respondents respectively. The survey has thus started to reveal the magnitude of the issue in Europe. Yet some key psychosocial factors are still missing, such as effort-reward imbalance and work-life balance. For instance, it has been shown that 6.21% of depression cases

Figure 5.5 Share of EU workers exposed to risk factors that can adversely affect mental health between 2007 and 2013 (%)



Notes: Data not available for Latvia, Netherlands and Portugal. Low reliability for Germany_2007. The map on the right shows the change between 2007-2013 in p. points. Source: Own compilation based on Eurostat (hsw_exp1).



Exposure to PSR factors is subject to socio-demographic and sectoral differences

Figure 5.6 Share of EU workers exposed to risk factors that can adversely affect mental health in 2020 by type of factor, age group, sex, educational attainment level, economic activity and size of enterprise (%)

By type of factor	
Harassment or bullying	0.8
Violence or threat of violence	1.1
Lack of autonomy, or lack of influence over work pace or work processes	1.4
Another significant risk factor	1.5
Lack of communication or cooperation within the organization	3.9
Job insecurity	6.1
Dealing with difficult customers, patients, pupils, etc.	10.4
Time pressure or overload of work	19.5
By age group	
15 - 34 years	41.2
35 - 54 years	47.0
55 - 64 years	43.3
By sex	
Males	43
Females	46.5
By educational attainment level	
Less than primary, primary and lower secondary education (levels 0-2)	36.0
Upper secondary and post-secondary non-tertiary education (levels 3 and 4)	42.3
Tertiary education (levels 5-8)	51.5
By economic activity (NACE Rev. 2)	
Sectors with the highest rate	
Human health and social work activities	58.5
Activities of extraterritorial organisations and bodies*	52.7
Education	50.4
Sectors with the lowest rate	
Mining and quarrying	34.8
Agriculture, forestry and fishing	31.0
Activities of households as employers**	22.2
By Size of enterprise	
Small	40.1
Medium	44.8
Large	47.7

* Low reliability

** Including undifferentiated goods and services producing activities of household for own use

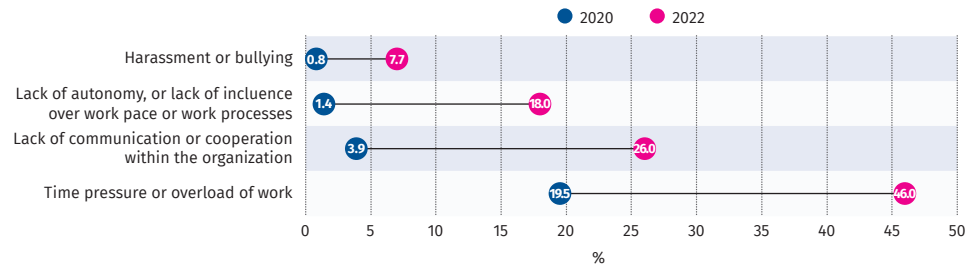
Source: Own compilation based on Eurostat (hsw_exp1, hsw_exp3, hsw_exp9 and special ad-hoc extraction).

are attributable to effort-reward imbalance, i.e. a mismatch between high efforts spent and low rewards received at work (Niedhammer et al. 2021), and work-life conflict is known to impact the health of women in particular (Franklin et al. 2022). Including these factors is likely to result in an even higher rate of workers being found to be exposed to risk factors that can adversely affect mental health.

Exposure to PSR factors is subject to sociodemographic and sectoral differences, and workplace size also plays a role. 46.3% of women are exposed to at least one mental

health risk factor, compared to 40% of men. As far as specific factors are concerned, 'dealing with difficult customers' was reported as a problem by 13.0% of women compared to 8.1% of men. The LFS data show that more highly educated workers were more likely to report being exposed to mental health risk factors, with this being the case for more than one in two workers with tertiary education. More women than men graduate from tertiary education in all of the EU Member States, and three fifths of tertiary education graduates in 2020 were women (Eurostat 2022).

Figure 5.7 Share of EU workers exposed to risk factors that can adversely affect mental health in 2020 and 2022, by factor (%)



Note: Only the items with identical or close to identical wording were selected for comparison.
Source: Own compilation based on EU-OSHA Flash Barometer Pulse Survey 2022 and EU Labor Force Survey 2020.

In the EU, 3 in 10 women work in education, health and social work, compared to only 8% of men (European Commission), and a large share of workers exposed to PSR was observed in these sectors ('human health and social work activities' (58.5%) and 'education' (50.4%)), as well as in the sector 'activities of extraterritorial organisations and bodies' (52.7%). The lowest percentages were reported in the sectors 'mining and quarrying' (34.8%), 'agriculture, forestry and fishing' (31%), and 'activities of households as employers' (22.2%).

Workers aged 35 to 54 were more likely to report being exposed to PSR factors (47%) compared to those aged 55 and older (43.3%) or 34 and younger (41.2%). The greatest share of exposed workers was observed in large enterprises (47.7%), followed by medium-sized (44.9%) and small enterprises (40.1%).

In April 2022, the European Agency for Safety and Health at Work commissioned a Flash Eurobarometer survey with the aim of gaining more insights into the state of OSH in the post-pandemic world, including the mental health stressors with which workers are confronted. Figure 5.7 shows a systematic comparison of exposure for the four stressors that have an identical or very similar wording in the Flash Eurobarometer 2022 and the Labour Force Survey 2020.

The comparison hints at an unprecedented deterioration in psychosocial working conditions following the pandemic. The largest increase in exposure to mental health stressors was observed for time pressure or overload of work. Almost one in two workers (46%) reported being exposed to this factor in 2022, compared to 19.5% before the pandemic. About one quarter (26%) mentioned poor communication or cooperation within their organisation, compared to only 3.9% before the pandemic. Similarly, the share of workers reporting a lack of autonomy or influence over work pace and

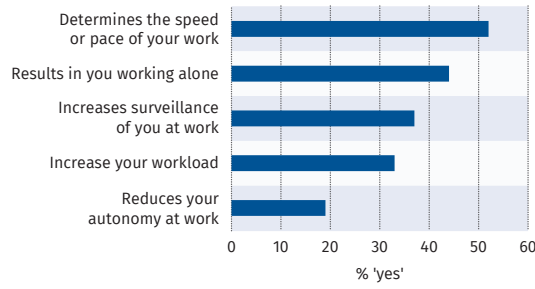
processes increased from 1.4% to 18%. Bullying and harassment at work is also on the rise, with 7% of respondents mentioning this factor in 2022 compared to 0.8% before the pandemic. Consistent with these findings, the Flash Eurobarometer survey shows that 44% of the respondents agree or strongly agree that they experience more work-related stress as a result of the Covid-19 pandemic (EU-OSHA 2022).

The worsening of psychosocial working conditions is linked, in many job roles, to the growing use of digital technologies and the related processes that lead to work stress, digital stress and the impairment of mental health (Stacey et al. 2019; Dragano and Lunau 2020). The pandemic has accelerated the digital transformation of business, with employers massively investing in digital capabilities to operate a tele-workforce. In Germany, for instance, where digital infrastructure has lagged behind (OECD 2021), almost half of establishments have invested in digital technologies such as hardware, software or digital infrastructure since the start of the pandemic (Bellmann et al. 2020; Aminian et al. 2021). The Flash Eurobarometer shows that the growing use of digital technologies has implications for work organisation (Figure 5.8). Half of the respondents across the EU (52%) say that digital technologies are used to determine the speed or pace of their work, and 1 in 3 (33%) considers that these technologies have increased their workload. Digital technologies have led to isolation for 44% of respondents, and to increased surveillance for just under 4 in 10 (37%). Finally, 19% of respondents say that the use of digital technologies reduces their autonomy at work. Pre-pandemic evidence confirms that the use of digital technologies in the workplace is frequently associated with psychosocial risks. Time pressure is an issue for 54.5% of companies where systems are used to determine the content or pace of work, and for 57.1% of companies using systems to monitor workers' performance (Irastorza 2019). This



The digital transition will lead to a shift in occupational risks, with a rising prevalence of psychosocial risks

Figure 5.8 Share of EU workers saying the use of digital technologies in their workplace... (%)



Source: EU-OSHA Flash Barometer Pulse Survey 2022.

is in line with the extensive body of research conducted into the platform economy showing that algorithmic management and digital surveillance technologies contribute to a hectic pace of work, long working hours and isolation (Bérestégui 2021).

The Flash Eurobarometer survey also shows that preventive measures to address psychosocial risks are lacking at company level. Figure 5.9 shows the percentages of respondents reporting that they have access to various types of initiatives aimed at reducing mental health stressors in the workplace. Only 43% of EU respondents say they are consulted about the stressful aspects of their work, with only eight Member States exceeding the 50% mark. This is notably the case for Germany (62%), Austria (60%) and Finland (57%). In contrast, worker consultation is less prevalent in Czechia (26%), Bulgaria (27%) and Portugal (30%). Information and training on well-being and coping with stress is the second most-mentioned initiative at EU level (42%), with the share of respondents having access to such information ranging from 25% in Cyprus and Greece to 69% in Ireland. Even larger variation across the Member States is found for access to counselling or psychological support, with this being available to 74% of respondents in Finland but only 24% in Portugal and Cyprus. At EU level, fewer than one in four respondents (38%) have access to counselling or psychological support.

Figure 5.9 Share of EU workers reporting the availability of measures to address stress at work (%)

	Workers' consultation	Information and training	Counselling or support	Other measures
Cyprus	33	25	24	16
Greece	34	25	27	15
Bulgaria	27	31	26	19
Czechia	26	36	29	15
Slovakia	32	31	28	19
Italy	33	37	29	16
Croatia	34	32	29	23
Spain	34	40	28	18
France	32	38	33	18
Portugal	30	41	24	28
Romania	36	38	33	21
Luxembourg	39	39	29	23
Poland	41	37	35	17
EU27	43	42	38	26
Latvia	39	41	37	37
Hungary	53	35	33	34
Sweden	38	47	41	30
Lithuania	39	44	41	35
Slovenia	49	46	36	30
Netherlands	52	41	43	26
Malta	41	55	48	22
Belgium	51	51	54	33
Estonia	46	52	47	47
Germany	62	53	49	40
Austria	60	52	55	38
Denmark	53	49	68	37
Ireland	56	69	52	45
Finland	57	64	74	44

Source: EU-OSHA Flash Barometer Pulse Survey (2022).

The EU OSH legal framework and the world of work in transition



Risk prevention and worker protection require continuous risk monitoring

In theory, all the working conditions and changes associated with the transitions should be covered by existing EU legislation. From a legal point of view, the EU OSH legal framework enshrines the general principle of prevention; because this principle is flexible and covers all risks at work, it should offer protection to workers during these transitions. According to the EU's OSH Framework Directive (Directive 89/391/EEC), the employer has an obligation to assess the risks related to all aspects of work, and then to adopt collective and individual measures either to eliminate or to mitigate these risks. The preventive measures should be adopted and implemented after consultation of the workers and/or their representatives. According to the Commission, EU OSH legislation already covers many of the risks that arise from changing industries, equipment and workplaces (European Commission 2021d). Yet is this really the case?

Digital transition: issues with work equipment, working conditions and management

As underlined above, the technological shift that can be observed will also lead to a shift in occupational risks, with a rising prevalence of psychosocial risks. The digital transition will not only increase existing risks but also call into question certain features and key characteristics of work, and this will also have an impact on OSH prevention and enforcement. Some of the aspects that are likely to be impacted include work equipment, working conditions, work organisation and management (Battista 2021; Stacey et al. 2019).

Work equipment

Whereas some equipment might reduce certain hazards or exposure levels (e.g. mobile autonomous robots or exoskeletons might assist with manual handling), other risks might be exacerbated. For example, a rise in the number of machines might decrease physical risks but increase cognitive workload. A highly likely outcome is a rise in 'computer-based' jobs, which will increase exposure to certain risks such as musculoskeletal disorders (MSDs) and exposure to screens. Additionally, complexification of machines and software might lead to a lack of transparency in certain situations regarding the functioning of the work equipment, resulting in unforeseen situations or malfunctions triggered by human error, the underlying cause of which is workers' resistance to the introduction of these new technologies. Meanwhile, technology will also be more integrated into and interconnected with workers' direct work environment, not only in the guise of more wearables but also as algorithmic management software. Regardless of whether technology takes the form of a specific machine or robot on the one hand or algorithmic management on the other, there is a risk of work intensification (with an imposed pace, for example). Currently, as required by Directive 89/391/EEC, any measure which may substantially affect the safety and health of workers triggers an evaluation of the risks and a consultation of the workers and/or their representatives. The Directive explicitly provides for the obligation to:

ensure that the planning and introduction of new technologies are the subject of consultation with the workers and/or their representatives, as regards the consequences of the choice of equipment, the working conditions and the working environment for the safety and health of workers (Article 6(3)(c), Directive 89/391/EEC).



In order to exercise a potential right to disconnect, a worker must be in a position to do so

Given the evolving features of these new forms of work organisation, a dynamic approach to risk assessment and evaluation is of fundamental importance. Yet due consideration of the dynamic and evolving dimension of new technologies at work requires a dynamic assessment and evaluation of their present or potential risks. Evaluations and consultations should not, therefore, be carried out only at the time of planning and implementation, but also on a regular basis (every couple of years) and in response to alerts triggering ad-hoc evaluations raised by workers or their representatives.

Management of work

The introduction of new technologies at work will change not only the physical working environment, but also the power dynamics at play. Artificial intelligence (AI) can promote performance pressure and constant oversight (with the attendant constant data collection), resulting in the invasion of workers' privacy. It has also been predicted that the digital transition might lead to constant worker availability, blurring the boundaries between work and private life (EU-OSHA 2021a).

Recent legal revisions have addressed some of the specific risks. For example, the Display Screen Equipment Directive was amended in 2019 and covers different aspects of a workstation (i.e. display screen, keyboard, work desk and work surface, work chair; see Directive 90/270/EEC, Annex 1). The same Directive stipulates that, when selecting software, the employer must ensure that the software is suitable for the task, easy to use and, where appropriate, adaptable to the operator's level of knowledge or experience. Additionally, no quantitative or qualitative checking facility may be used without the knowledge of the workers. Systems must display information in a format and at a pace which are adapted to operators, and, as mentioned previously, the introduction of new technologies should be subject to the consultation of workers and/or their representatives.

Based on the provisions of Directive 90/270/EEC regarding the minimum safety and health requirements for work with display screen equipment combined with the provisions of the EU's OSH Framework Directive, workers and their representatives should be involved in the decision-making process regarding the choice of new technologies and how they are deployed. Given that the pace should be 'adapted' to operators, this infers that it should be possible to adjust the software to workers' capacities. Similarly, the European Social Partners Framework Agreement on Digitalisation,

signed in June 2020, encourages dialogue on how AI should be deployed in the workplace. Worker participation would be the desirable outcome, but it is far from the reality: based on what we are already witnessing, for example in the platform economy, there is no hint of such things as adaptation or customisation. Algorithmic management software imposes a pace on workers, and, even in more traditional employment settings, discussions concerning the implementation of algorithmic management (if they happen at all) are typically conducted on a 'take it or leave it' basis.

The lack of flexibility as regards adaptations to the software interface used by workers might be exacerbated by the provisions of the proposed regulation on artificial intelligence (the AI Act). The AI Act is a horizontal regulation that does not regulate AI as a technology, but rather AI systems being placed on the market or put into service (Ponce Del Castillo 2021). On the one hand, the AI Act imposes certain rules and specific requirements by recognising AI systems intended to be used for the management of workers as 'high-risk' (Annex III, point 4). On the other hand, much criticism has been voiced on the grounds that these requirements do not take into consideration the dynamics of industrial relations, and focus solely on the provider and user (i.e. the employer). There are no provisions mentioning end users (i.e. workers), even though workers are (potentially) going to be the ones interacting daily with the algorithmic management software. Worst of all, the AI Act might act as a ceiling and pose an obstacle to the goals of labour law by limiting the role of workers and/or their representatives (De Stefano and Wouters 2022; Cefaliello and Kullmann 2022).

Working conditions

Another crucial dimension of digitalisation is the challenge posed to the traditional space and time of work. The Covid-19 pandemic has highlighted that it is possible for a lot of workers to perform their work remotely (i.e. telework). However, what the pandemic also showed is that modern technologies allow not only constant monitoring, but also constant worker availability (even at home). Telework or remote work can be an opportunity to achieve a better work-life balance, reduce commutes and increase worker autonomy, but, at the same time, it can blur the separation between professional and private life and lead to overtime (Eurofound 2022a). There are therefore various factors we need to consider: on the one hand, there is the question of whether it is possible for the worker



If the EU legislator adopted the biological limit value of 150 µg/l of blood, it would lead to unequal protection for men and women

to disconnect (directly linked to the question of working time), while, on the other, there is the question of how workers' health is impacted by being constantly available and connected during working time. The right to disconnect is of central importance when addressing these issues: it was tackled in the 2020 Framework Agreement on Digitalisation, and is also a demand supported by the European Trade Union Confederation (ETUC). There is currently no right to disconnect at EU level, and although the right to disconnect is sometimes granted at national level, this takes place through legislation on telework (Eurofound 2022a). While the right to disconnect may not address all the issues involved, it should not be limited to teleworkers. In order to exercise any potential right to disconnect, a worker must be in a position to do so, which means that he or she should have a workload adapted to his or her work time. By way of a complement to the right to disconnect, there remains an urgent need for a directive addressing psychosocial risk factors such as workload, worker autonomy, etc. In the absence of specific legislation, adequate protection will be a national matter or the subject of voluntary bargaining.

The lack of an adequate legal framework might then lead to significant inequalities in the way that these foreseeable risks are addressed. One possibility is that the adequacy of participation and consultation on the impact of digitalisation (in the broad sense of the term) will vary depending on (1) the size of the company and (2) the nature of the employment contract (if any). In small companies or sectors without trade union representation, participation will involve the worker(s) directly and not their representatives. Certain fundamental aspects of key issues might either not be taken into consideration sufficiently (implementation of new technologies) or might be approached on a voluntary and individualistic basis (PSR, workload or telework, for example), meaning that workers in the same situation and the same company might not be able to benefit from the same working conditions. Digitalisation will also have an impact on work in terms of who will work and under what conditions. We are thus running the risk of increasing inequality between workers, and of finding ourselves in a situation where those already benefitting from strong industrial relations or bargaining power (either individually or collectively) will be able to negotiate terms and conditions that truly benefit them, but more vulnerable workers who do not have these bargaining positions or leverage will be unable to rely on a floor of rights.

Green transition

As illustrated by the previous sections on PSR and asbestos exposure, the green transition will have major impacts on workers' health and safety. Innovation is and will be needed to navigate the green transition and establish 'green jobs'. However, we need to guarantee that these jobs (which are vitally important for the green economy) are decent and safe, and provide healthy working conditions. Green jobs can be defined as:

jobs that help to protect ecosystems and biodiversity; reduce energy, materials, and water consumption through high efficiency strategies; decarbonise the economy; and minimise or altogether avoid generation of all forms of waste and pollution (EU-OSHA 2013: 21).

Many sectors will be impacted by the collective effort to de-carbonise and minimise waste. As mentioned previously, the 'renovation wave' will expose workers to asbestos even though this substance is already banned in Europe. Another striking example of a problem that may worsen in the coming years is lead exposure. The promotion of electrically powered cars and public transport in the interests of reducing pollution and fossil fuel use will boost the need for electric batteries, and one component of these batteries is lead. More workers will thus be exposed to lead, not only during the production of the batteries but also during their recycling (as part of the circular economy).

The European Commission recognised the need to revise the current exposure values for lead in its Strategic Framework 2021-2027. Accordingly, in an opinion issued on 11 June 2020, the Committee for Risk Assessment of the European Chemicals Agency (RAC/ECHA) recommended the adoption, under the Chemical Agents Directive (CAD), of both an occupational exposure limit (OEL) of 4 µg lead/m³ and a biological limit value (BLV) of 150 µg lead/l blood. RAC/ECHA also recommended adding a qualitative statement in the Chemical Agents Directive to the effect that the exposure of fertile women to lead should be avoided or minimised in the workplace because the proposed biological limit value for lead is not protective of the offspring of women of childbearing age. Therefore, if the EU legislator adopted the biological limit value of 150 µg/l of blood, it would lead to unequal protection for men and women that could be considered discriminatory due to the risk that women might be treated less favourably than men on

the labour market (especially in terms of access to employment). For instance, it could create a situation where women could not be hired in workplaces where they might be exposed to lead, since employers would wish to avoid any risk or liability. Therefore, even if the biological limit value of 150 µg/l appears neutral at first glance, it would put women at a particular disadvantage compared to men, for example as regards access to employment and labour market integration.

The procedure aimed at revising the occupational exposure limit values (OELs) for lead and its compounds in the Chemical Agents Directive may still be ongoing, but it gives us a clear warning that we ought to be extremely careful in the coming years to ensure that legislation provides equal and adequate protection to workers who are going to play an essential role in the green transition.

Exposure to asbestos and lead are only two examples: there are many more factors and types of exposure that should be taken into consideration in the context of the green transition. However, these two examples alone show that it will not and cannot be solely a matter of following a general principle of prevention (as has been emphasised for the digital transition); instead, we should also ask questions about the production process.

As in the case of digitalisation, we also need to be vigilant that the jobs created by the green transition are not precarious. Otherwise, we risk seeing a repeat of what we witnessed in the early days of the platform economy, namely the rise of the 'digital precariat', this time in the form of a 'green precariat' resulting from the unregulated or deregulated development of the economic and business opportunities linked to the green transition.

Conclusions

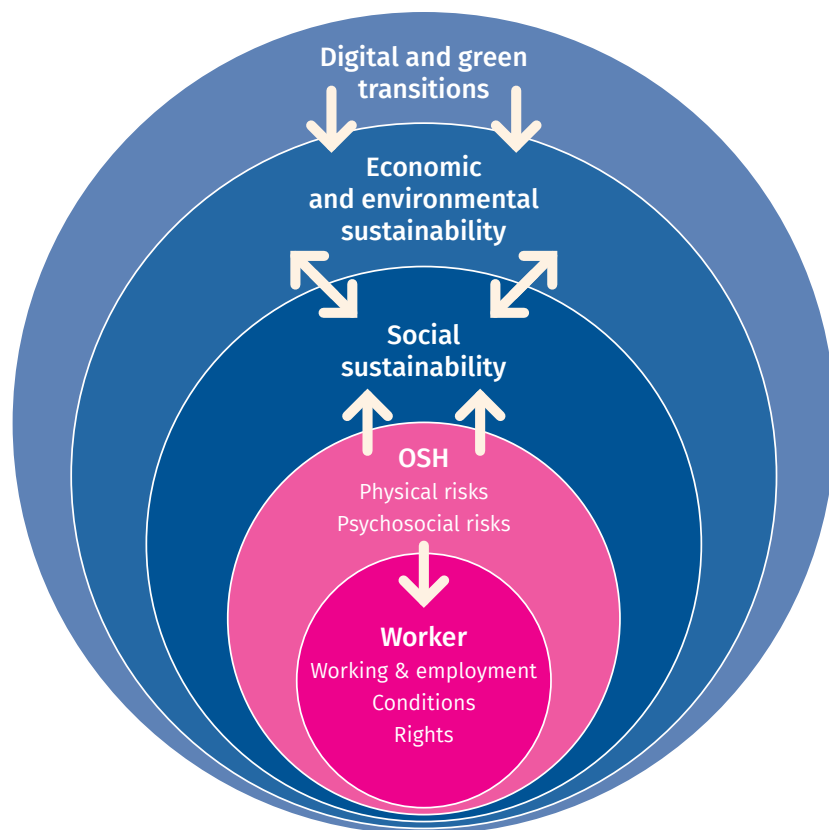
Industrial changes have always had an impact on workers' health and safety, by changing either the methods of production (e.g. new technologies) or the types of work performed (e.g. the development of new service sectors and green jobs). In the context of the current digital and green transitions, work will and already has been impacted, and this is also reflected in the priorities of the EU OSH Strategic Framework (2021-2027).

This chapter's analysis of worker exposure to asbestos and psychosocial risks makes it clear that vigilance in respect of OSH-related matters is necessary in the changing world of work due to the impacts of the digital and green transitions. The social dimension of sustainable development should become the top priority because it directly affects the opportunities for other developments (Ivascu et al. 2019). OSH is also a primary concern in terms of social sustainability, since worker welfare is one of the main aspects of operating in a socially responsible manner (Kordi et al. 2021).

This chapter's analysis of the nexus of social sustainability and OSH in the context of the twin transition highlights some key elements against which the success and fairness of the processes can be benchmarked. The following four areas emerge as relevant:

Firstly, continuous collection of OSH data and monitoring of the impacts of the transitions are essential to prevent inequalities in worker protection. Forging ahead with the twin transition in a just and socially fair manner will be possible only if the safety of all workers is guaranteed. For example, there are clear discrepancies between the EU Member States in terms of work-related accidents and deaths; the European Union Agency for Fundamental Rights (2019) has raised the alarm about the severe labour exploitation of migrant workers in the construction sector; algorithmic management obstructs worker participation; and emerging evidence is highlighting the possibility that home-based telework might have gendered health impacts due to the increasing trend

Figure 5.10 The interconnectedness of OSH with sustainability and the twin transition



Source: Authors' own elaboration.

towards precarity and work-life balance issues (Eurofound 2020b; López-Igual and Rodríguez-Modroño 2020; ETUI and Cambridge Econometrics 2022; Arabadjieva and Franklin 2023). It is thus essential to have in place an adequate legal framework that guarantees the rights and protection of all workers, and to analyse OSH within an intersectional framework that accounts for disparities such as socioeconomic status (education, income, type of job), age, ethnicity and migration status or background, as well as sectoral differences. By recording and analysing workers' lived experiences, any shortcomings can be overcome and blind spots more easily identified – a process that is essential to the achievement of just and inclusive worker protection.

Secondly, vertical and horizontal segregation in the labour market attests to the importance of consistently applying a gender perspective to health and safety at work. This chapter's analyses highlight the fact that different types of hazards and risks (both physical and psychosocial) exist in parallel, and workers can experience greater exposure to specific types depending on their job. The construction industry is highly male-dominated, with an average female participation rate of only 4-6% (Clarke 2021), while a higher percentage of home-based teleworkers were women before the pandemic (57%) (Eurofound and ILO 2017); 41% of women reported having started working from home during the pandemic compared to 37% of men (Sostero et al. 2020), and the trend is expected to continue (Arabadjieva and Franklin forthcoming 2023; Eurofound 2022). Yet this is not the whole story. Although occupational asbestos exposure is most often identified among men working in sectors where women are less likely to be employed, an association has also been established between work-related exposure to asbestos in its multiple forms and ovarian cancer (Camargo et al. 2011; Vicente-Herrero et al. 2021). As in the case of PSR, exposure to the different risk factors is gendered; for example, data concerning job quality in terms of working time show that men are more likely to be exposed to long hours of paid work and high work intensity, while women's health is impacted to a much greater extent by work-life conflicts and lack of autonomy (Franklin et al. 2022). What can be observed is that the hazards (i.e. exposure to the relevant chemical or PSR) are the same for women and men, but the sources from which the exposures arise are different.

Thirdly, adopting a life course approach to work and health is essential, as some occupational diseases take time to develop.

There is usually a long delay between the first exposure to asbestos and the onset of the associated disease, and work-related stress can cause psychological and physical harm through prolonged exposure. The Vision Zero approach to work-related deaths thus requires the development of risk assessment tools and robust prevention measures that protect workers from both immediate and delayed morbidity and mortality due to exposure at work. More effective and holistic means of measuring the work-relatedness of illness and injury is also important, as it can support the development of preventive strategies (Walters et al. 2021).

Fourthly, the general principle of prevention enshrined in the EU OSH legal framework remains fully applicable.

The transitions will fundamentally change where we work, how we work, who will work and how people will perceive work (EU-OSHA/Stacey et al. 2019). Problems can arise from the collateral risks, and it is these situations and hazards that we need to tackle now to guarantee a proactive rather than a reactive approach. In this rapidly evolving context, risk prevention and worker protection require continuous risk monitoring and assessment and greater worker participation in the implementation of any changes, whether related to digitalisation or the green transition. Anticipating the issues and difficulties that workers may encounter will also leave room for EU OSH legislation to be adjusted or complemented if necessary. Finally, a safe and healthy working environment is a worker's right and an important part of social sustainability. In June 2022, safety and health were included in the Declaration on Fundamental Principles and Rights at Work of the International Labour Organization (ILO 2022), and it is evident that organisations cannot be sustainable without protecting the safety and health of their workers (IOSH). Not only from the perspective of rights, but also from a functional perspective, a socially responsive transition with equity of worker protection and rights must be the point of departure for the workplaces of tomorrow.

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6. Europe in transition and workplace democracy: towards a strong Social Europe?



Jane
Parker

Topics

Introduction	145
Workplace democracy	146
Green transition	148
Geopolitical transition	152
Digital transition	155
Economic transition	161
Social transition – underpinning an ambitious agenda	164
Conclusions	167



The mutuality
of workplace
and social progress stresses
a transformative agenda

Jane Parker

Introduction

Democracy is a founding value of the European Union (EU) and should inform EU and Member States' internal and external policies. However, workplace operations and relations are often considered to be peripheral to democratic life. Since 2020, moreover, all nations have been struggling to adjust to upheavals caused by the pandemic. Covid-19 has also exacerbated the rising trend in authoritarianism in various countries, with many 'sliding back down the democratic scale' (Quraishi 2021), despite the introduction of important reforms in the wake of popular protest. And although the urge for democracy across the EU generally remains strong, the climate change crisis and the ailing condition of our economic systems have reached a critical point as we bear witness to what is, arguably, the largest technological transition in history. This chapter presents an overview of the implications of transition (green, economic policy, digital – particularly in relation to platform work – and geopolitical) and the related regulatory changes for workplace democracy in the EU, along with the finding that democracy deficits in the workplace and beyond have ramifications for the social progress, resilience and sustainable development of the region. Proposed initiatives emphasise the need for an ambitious agenda promoting social transition on the basis of principles that can navigate, and be positively influenced by, these interrelated dynamics.

Workplace democracy

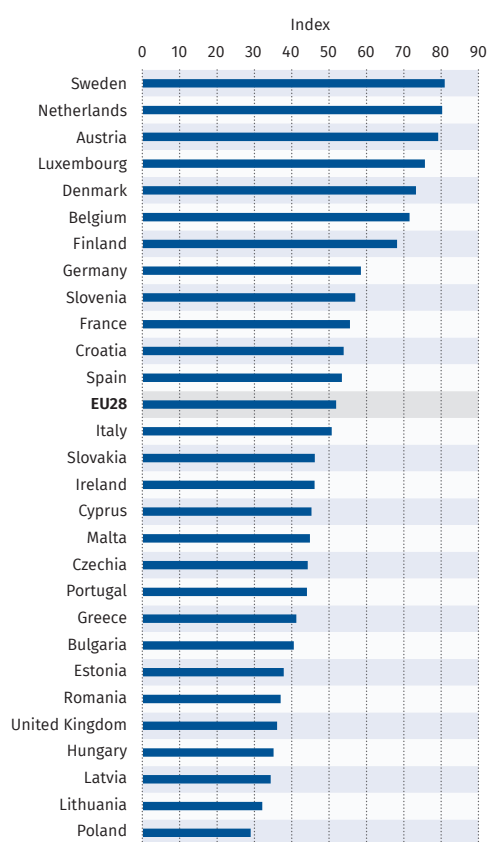
An array of arguments and objectives informs calls for workplace democracy, prompting an equally broad range of institutional and wider responses. Across the EU, democracy at work is widely considered to aid company success, for example, by strengthening worker and employment relations; promoting the employee's work ethic, job and life satisfaction, participation and commitment; broadening the perspectives that inform decision-making and problem solving; increasing productivity, innovation and pay; and promoting workplace equality, health and safety, and business longevity. It is also associated with enhanced civic participation and with fostering the stability of a wider democratic culture (European Parliament 2021; Frega et al. 2019). However, concerns relating to efficiency, the feasibility of a transition to workplace democracy and liberal commitments are among the arguments raised in opposition to this principle.

According to Eurofound's industrial relations index (2021a), the quality of industrial democracy in terms of autonomy, representation and participation varies across the Member States (see Figure 6.1). Differences in their industrial relations and political economy affect how transitions progress and are managed, thus underscoring the extant and potential influence of workplace, industrial and wider democratic configurations.

For their part, workplace instruments encompass structures and processes to encourage worker participation and representation, social dialogue (e.g. German codetermination and board-level employee representation (BLER), European works councils (EWCs)), collective bargaining, health and safety representation, and direct worker engagement. BLER remains a particularly contested form of employee involvement in some countries (e.g. due to the potential for employee co-option – Hyman 2016). Furthermore, some argue that workplace ownership by workers is needed to democratise the organisation of work in a meaningful way, while others view this as the result of an overhaul of political and economic systems (Warner et al. 2019). Opinions on and aspirations for workplace democracy have regained traction, reflecting workers' weakened voices in Europe during the pandemic, as well as the longer-term imbalances, instabilities and inequalities in many Member States, which have resulted in a deepening disaffection for existing systems manifested in social unrest, nationalist Eurosceptic governments and populist forces.

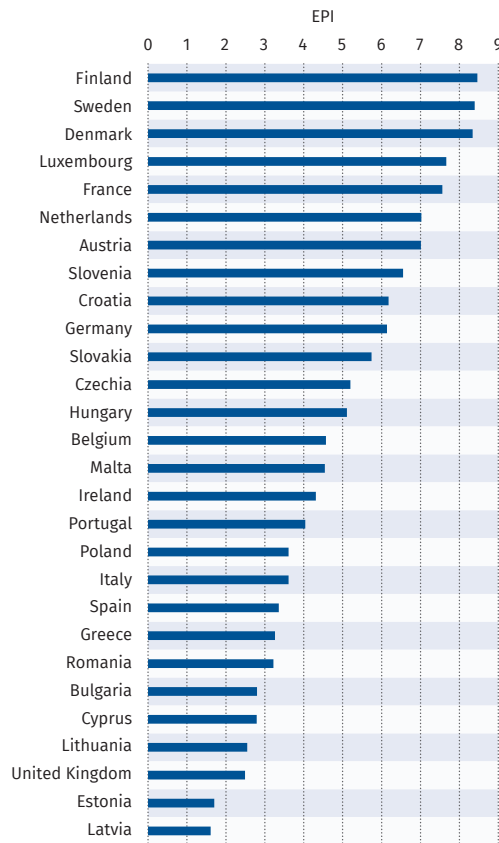
Workplace democracy based on social dialogue, collective bargaining and employee participation is acknowledged to be a long-standing, defining feature of corporate governance in Member States, distinguishing it from other regions that mostly rely on the market or state (European Parliament 2021). However, the European Participation Index, which takes account of different levels of collective representation, shows variability across the EU Member States (see Figure 6.2). Even in countries with higher levels of representation, a significant minority of workers cannot access collective forms of workplace representation, while a greater proportion of employees in countries with low levels of representation are simply not represented at work. Indeed, no Member State can claim to have collective representation at work for its entire workforce, with employees

Figure 6.1 Quality of industrial democracy across Member States, 2013-17



Note: The figures are pre-Brexit and pre-pandemic.
Source: Eurofound (2021a).

Figure 6.2 European Participation Index, 2019



Note: Figures are pre-Brexit and pre-pandemic. The EPI combines data on the proportion of employees who are members of a union, covered by a collective agreement, have access to some form of workplace representation, and on the strength of employee rights to board-level representation.
Source: ETUI (2019).

from smaller companies tending to lack access to such representation (De Spiegelaere et al. 2019). The significance and roles of collective mechanisms vary from country to country, as do participation rights through information, consultation and codetermination (Deakin 2021). Moreover, after 1990, while improvements to workers' codetermination and related representation rights began to plateau across the Member States, shareholder rights significantly increased, with no clear sign of benefit to productivity or innovation (ibid.).

Set against the background of cross-national convergence, the variability in the availability, scope, functioning and impact of workplace instruments reflects the uneven playing field in democratic and other terms due to country specificities (e.g. differing applications of EU regulation), with implications for the breadth of their agenda and worker agency. In Member States without enforceable codetermination rights, for example, other mechanisms such as collective bargaining may facilitate worker influence, depending in part on union coverage and 'clout'. Areas of convergence and divergence have also been drawn into sharper relief by green, geopolitical, technological and economic dynamics that shape organisational responses to the pandemic and other environmental features and determine the capacity of workplace instruments to support the continuing transition to a strong Social Europe.

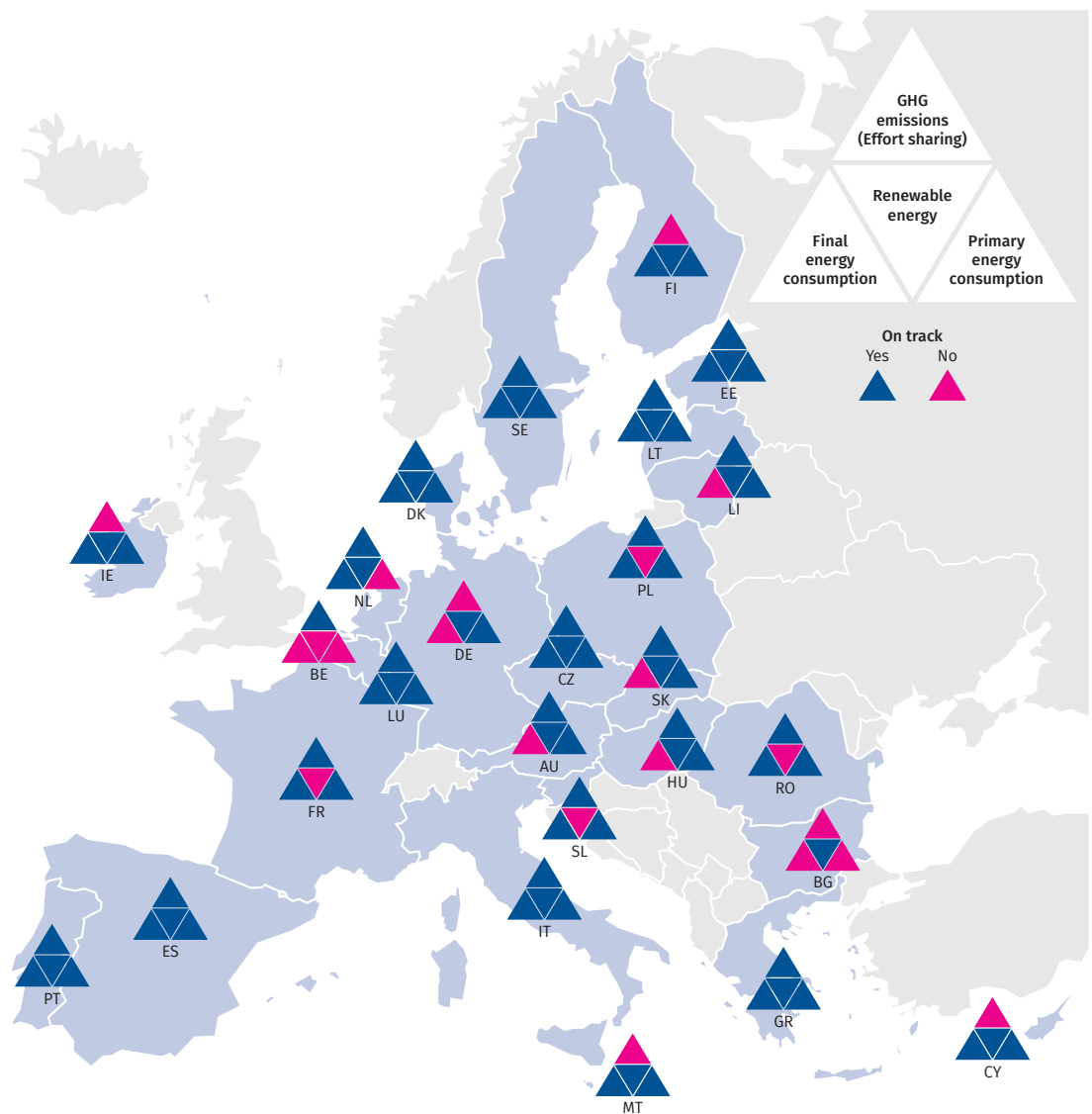
Green transition

The EU has been a front runner on climate change regulation with its European Green Deal (EGD), European Climate Law (ECL) (Regulation (EU) 2021/1119) and Fit for 55 package. With a regulatory emphasis on fairness and solidarity among Member States, together with cost-effectiveness, the 2023 work programme adopted by the European Commission (EC) includes increased support for its new REPowerEU plan and ongoing support for co-legislators to ensure agreement on proposals key to the EGD's delivery (European Commission 2022a). For its part, the EU seeks, through its industrial strategy, to introduce measures contributing

to climate neutrality (European Commission 2020). Updated in May 2021 to reflect pandemic-induced changes, its proposed Carbon Border Adjustment Mechanism (CBAM) seeks stricter emission reduction targets while preserving a level playing field for EU industries and protecting them from carbon leakage (European Commission 2021a).

While the intensity of EU industry emissions is comparatively low, only 21 Member States are expected to reach levels below their national target (see Figure 6.3), the remainder probably needing to 'make use of flexibilities

Figure 6.3 EU Member States' progress towards 2020 national targets



Note: Reflects progress before the use of flexibilities available for the Effort Sharing legislation sectors or statistical transfers for renewable energy. Source: EEA (2021).

to comply with their legal objectives' (EEA 2021). Indeed, national and sectoral variation suggests differential impacts on stakeholders, including workers, and social transition rates. Furthermore, the emission decline could stall as economies gain buoyancy, while national policies fail to keep pace with those adopted at EU level, which in turn have been rated 'insufficient', indicating that they require improvement (Climate Analytics and New Climate Institute 2022).

While acknowledging their positive intention, the EWCs and European and national industry bodies have expressed growing unease about the EGD and REPowerEU: the EU needs to adopt a more strategic approach in finding alternatives to Russian fossil fuel dependency, bearing in mind the accelerated pace of the process capable of exposing European energy-intensive industry to higher production costs that have an impact downstream on job losses and income. Recently established representative structures, such as the EU Industrial Forum in which the European Trade Union Confederation (ETUC) and affiliates are active, and the related co-creation of transition pathways for 14 industrial ecosystems, have thus been hailed for helping to 'identify the actions needed to achieve the twin transitions [i.e. green and digital]' (ETUC 2022a). Furthermore, national company law requires sustainability reporting by many organisations, albeit aligned with different frameworks and standards, while national corporate governance codes recommend a stakeholder-oriented perspective on sustainability.

However, the social dimension of the EU's just transition framework is nascent. The EC's (2019) analysis of individual countries for 2020-30 identified a number of vulnerabilities, including: inadequate measures in relation to its social, employment and skills impacts; the distributional effects of decarbonisation and overlooked impacts for disadvantaged groups; the scale of energy poverty and transitional burden of costs for citizens; social effects generated by labour market changes, and increased climate migration flows (Vas 2021). Furthermore, the proposed non-binding Council Recommendation on ensuring a fair transition towards climate neutrality may not generate the comprehensive policy platform needed to handle the impacts of transition on affected workers, regions and vulnerable individuals.

Clearly, work is needed to ensure that a just transition specifically fosters fairness, equality, inclusion and cost-effectiveness. The EC has encouraged Member States to create tripartite Just Transition Commissions enabling

social partners to provide recommendations, negotiate national and regional plans that inform workplace operations and encourage not only the management but also the anticipation of changes at work. The ETUC (2021a) has called for the EC to propose additional policy measures to strengthen the EGD's social and labour dimension – also an opportunity to promote workplace democracy. It advocates the EGD's establishment of a just transition legal framework, premised on mapping and analysis of the transition's impacts on employment and skills in countries, regions and sectors, including on subcontractors and downstream value chains. This could elicit the knowledge required for developing social policies that reflect regional realities, and for monitoring and assessing future EGD policy implementation. Development of the proposed measures – including a wider scope for the Just Transition Mechanism, which does not currently support all sectors affected by the changes (Akgüç et al. 2022), and the redesign of the Stability and Growth Pact (SGP) to allow for public expenditure that supports a green and just transition and is provided to businesses on condition of their 'respect of applicable working conditions and employers' obligations resulting from labour law and/or collective agreements' – could, more significantly, involve workplace instruments.

More specifically, unions have called for proper involvement by European social dialogue structures (e.g. EWCs, European company works councils (SEWCs), sectoral social dialogue committees, the Tripartite Social Summit) in the development and monitoring of EGD policies and industrial strategies. Within EWCs, for instance, the unions could develop articulation, involvement and training provision to help minimise legislative shortcomings, 'while perhaps also pursuing campaigns within MNCs based around specific themes', such as plenary meeting frequency (De Spiegelaere et al. 2022: 279). Emphasis is also placed on a torquing up of collective bargaining and social dialogue rights so that such matters as redundancy processes become a last resort and unions are able to integrate climate change and just transition topics and strategies formally into social dialogue agendas. While contradictory aspects of the 'jobs versus environment' dilemma highlight the complex workplace and social impacts underlying this transition, unions increasingly recognise the need for them to play a greater role in the transition with a view to empowering workers and communities. For example, their proposed involvement alongside other social partners in skills strategies indicates that EU decarbonisation strategies might be



Climate mitigation measures alone are unlikely to reduce social inequalities, and initiatives remain disjointed

intricately linked to such strategies at EU and national levels. There have also been calls to involve unions more effectively in the design and operation of Territorial Just Transition Plans (TJTJs). Table 1 shows whether union input was reported to have been considered by national/regional authorities in Member State TJTJs by mid-2021.

Table 6.1 **Union involvement in the design of Territorial Just Transition Plans in Member States, mid-2021**

Member State	Union involvement in Member States' TJTJs	Member State	Union involvement in Member States' TJTJs
Belgium	χ	Austria	χ
Bulgaria	√	Portugal	χ
Croatia	√	Romania	χ
Czechia	√	Slovakia	χ
Denmark	χ	Slovenia	χ
Germany	√	Sweden	χ
Spain	√	Netherlands	na
Finland	χ	Luxembourg	na
France	√	Cyprus	na
Greece	χ	Malta	na
Hungary	χ	Estonia	na
Ireland	χ	Latvia	na
Italy	√	Poland	na
Lithuania	√		

Note: Union input taken into account by national/regional authorities according to ETUC/IndustriALL affiliates. na - not available. Source: Based on ETUI (2021).

This assumes adequate training and capacity-building support for unions to extend representatives' competency on climate issues and guide workers towards skills training and validation procedures. Many unions have been challenged with finding ways to broaden their members' democratic engagement; in restoring or strengthening participative education, they may raise the collective consciousness and increase mobilisation as well as normalise their commitment to progress on environment policy (McRae 2021).

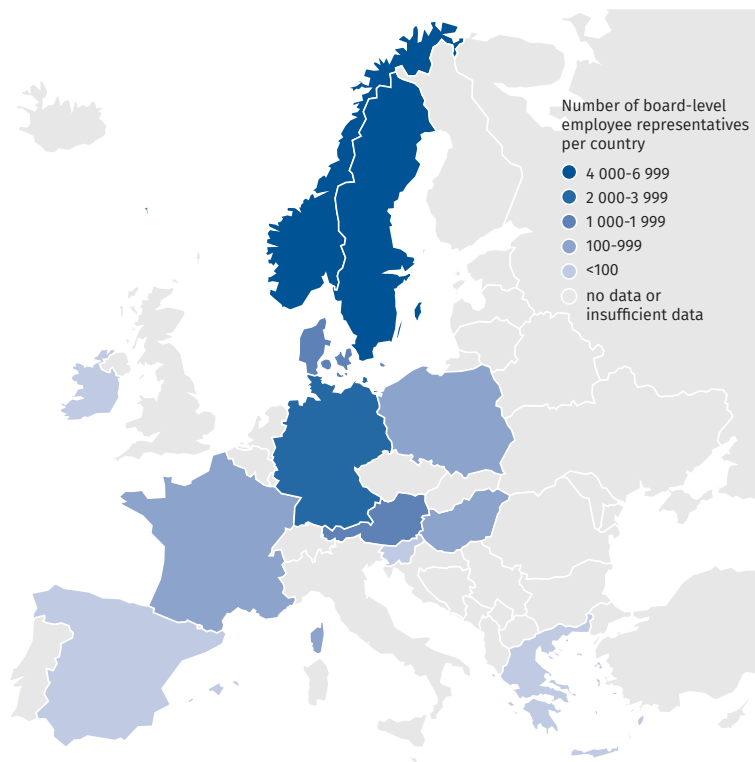
BLER is also the focus of attention in relation to green issues, given its actual and potential significance for workplace restructuring through the voting rights enjoyed by employees on company supervisory boards or boards of directors. These instruments are in operation

in some two thirds of Member States, including Germany, as well as in Norway (see Figure 6.4).

The ETUC's defence of BLER rights largely comes to the fore in response to the social consequences of company restructuring/closures, although, according to a study involving 4 000 BLER representatives, while most representatives exert some influence over restructuring decisions and strategic corporate decision-making, a significant minority do not: despite having full co-decision rights, they are customarily out-voted (Waddington and Conchon 2015; Conchon 2011; cf. Gold and Waddington 2019). However, other research conducted in 2017-18 and involving 607 of the largest European companies indicated that companies with BLER score better than those without it across sustainability domains (Vigeo Eiris, cited in De Spiegelaere et al. 2019). Notwithstanding this, our grasp of the significance of BLER for workplace democracy and its influence on workplace environmentalism is limited by information gaps on its company coverage (De Spiegelaere et al. 2019). Divergence in the EU institutions' conceptions of BLER and specific societal contexts resulting in variable national rules and institutional arrangements also highlight the need to enforce and extend the democratic functioning of BLER (e.g. in respect of selection procedures and eligibility requirements) and its coordination with other instruments to enhance the power and views of workers in board discussions, including on matters that anticipate green transition effects (Waddington 2018; Lafuente-Hernandez 2019). The irreversibility of certain climate effects underscores the urgency for strengthened worker participation and representation that underpin company sustainability.

Despite the pledge for the EGD to 'leave no one behind', climate mitigation measures alone are unlikely to reduce social inequalities, and initiatives remain disjointed. Limitations are observed, for example, in the scope and purpose of the proposed Social Climate Fund and its need to deal adequately with a wider range of distributional effects of climate policy together with the development of green jobs in accordance with the Decent Work Agenda established by the International Labour Organization (ILO) and the European Pillar of Social Rights (EPSR) (Akgüç et al. 2022). Participative arrangements involving social partners, workplace instruments, civil society and others need to cultivate a just transition platform for all affected by the EGD. Indeed, social movement unionism (SMU)

Figure 6.4 Board-level employee representation, EEA



Note: EEA includes EU countries and also Iceland, Liechtenstein and Norway.
Source: Waddington and Conchon (2016).

around green issues has included spontaneous and more regularised coalition. Deliberative, multilateral organising in particular shows how workplace and political democracy are mutually reinforcing (Budd et al. 2018); provides other avenues for voices to be heard; challenges stakeholder roles; and encourages reconciliation of workplace and environmental priorities while advocating social justice (Clarke and Lipsig-Mummé 2020). Although potentially challenging to union democratic arrangements, this approach can foster agile responses to liberal democratic activity and decision-making that do not enable minority voices to be heard, thus affording participants a better sense of representation when policies are adopted.

Geopolitical transition



OSA can thus be seen as a potential geopolitical opening with which 'to re-establish a fair level playing field for a resilient economy' (Akgüç 2021)

From its inception, the EU has sought to prioritise lasting peace, developing over time a common security and defence policy in line with United Nations Charter principles (EU External Action 2021). In this policy context, the term 'open strategic autonomy' (OSA) has come to the fore; it refers to the region's capacity to act autonomously in strategically important policy areas and sectors and to uphold democratic values (European Parliament 2022a), while it is increasingly aimed at reinforcing the EU's twin transitions.

However, recent geopolitical developments amid pandemic disruption and other transitions have provided the backdrop for the re-emergence of OSA in the EU and its extension to other policy fields, including the European Industrial Strategy, technology and health. Russia's invasion of Ukraine has worsened the energy price crisis, evoking the Versailles Declaration which seeks to strengthen European sovereignty and reduce strategic dependencies while 'protecting [...] citizens, values, democracies, and our European model' (Heads of State or Government 2022: 3). The European Council's EU Strategic Compass sets the roadmap and tools for reducing gaps in critical defence capabilities as well as strategic dependencies on technology and resources. Furthermore, the Temporary Protection Directive, triggered for the first time on 24 February 2022, assists those fleeing the war in Ukraine (European Commission 2022b). A Single Market Emergency Instrument under development, responding to war and pandemic supply shocks, could address fragmentation, barriers and weaknesses, although the ETUC (2022b) points out that it must respect strong social protection and the importance of public services, uphold the protection of mobile and cross-border workers, and protect the role of the social partners. Furthermore, some consider the conflict to be highly divisive for Europe's foreign policy. Growing Member State unity on some matters (e.g. weapon provision to Ukraine, sanctions against Russia, military non-engagement) sits alongside divergence on others (e.g. companies' withdrawal from Russia). Arguably, it has thus encouraged greater – rather than radical – EU geopolitical assertiveness (Youngs 2022), with implications for (workplace) democracy.

Other regional developments include the potential EU membership of Ukraine, Moldova and Georgia, and growing authoritarianism in

some Member States. The reforms undertaken by Ukraine to align its legislation and governmental procedures with European standards augment its democracy-building efforts. Meanwhile, the various forms of 'democratic backsliding' in Hungary and Poland, eliciting different EU responses, highlight the extent to which shared values across the EU 'should not be taken for granted' (Camisã and Luciano 2022: 26). The authors recount the EU's institutional and political shortcomings in protecting its democratic standards, raising questions over 'the effectiveness of dialogue promotion with autocracy-prone leadership' (p. 36). Hesitating over the use of the Rule of Law Conditionality Regulation which could restrict the dispersal of EU budget funds to both countries, the Union may promote democratic reform more effectively by means of conditionalities to EU accession rather than measures within its Member States (*ibid.*), thus emphasising the need to review the application of democratic criteria relating to both pre- and post-EU membership, and how this involves workplace and other instruments.

Within the workplace setting, the European trade union movement maintains that, while a more coordinated approach on defence is needed, 'the priority should remain the promotion of negotiated solutions based on multilateral rules' (ETUC 2022a). This calls for OSA to develop a strong social and democratic dimension that focuses on its interaction with EU labour and social policies, social and economic governance, and the EGD. OSA can thus be seen as a potential geopolitical opening with which 'to re-establish a fair level playing field for a resilient economy'. As regards social priorities, democratic and redistribution aims are the focus of union advocacy with a view to meeting the objectives of the OSA agenda: to create sustainable, quality jobs; to maintain a strong focus on education, training, the re- and upskilling of workers, and sustainable supply chains; to rely on strong regulation to combat social dumping; to promote practical measures on more sustainable, rule-based trade practices; to develop a strong role for public services and quality public infrastructures; and to rely on sufficient investment to secure revenues and adopt ambitious public budgets (*ibid.*).

The EU's ability to create stability, cohesion and security should thus entail inclusive and sustainable governance involving the social partners, including unions. This, and further

promotion of workers' and union rights, would contribute to the implementation of the EPSR in line with the 2021 Porto Declaration. As with twin transition targets, geopolitical uncertainties point to greater involvement by unions in the anticipation and management of associated economic and industrial changes and in supply chain management (ibid.). EWCs, SEWCs and BLER also require full inclusion at all organisational decision-making stages. Evidence suggests, for instance, that EWCs often have not been engaged in processes until decision-making has occurred (ETUC n.d.). Moreover, results from the ETUI (2019) survey of 1 635 EWC and SEWC representatives from all EU countries showed that, while general company issues and health and safety issues were widely raised, and restructuring issues featured significantly in EWC dialogue, a much lower percentage of respondents felt that there was 'useful' information and consultation on these matters (De Spiegelaere and Jagodziński 2019). Employment forecasts and 'broader' EWC agenda issues (e.g. environment, equal opportunities) were raised far less often, with EWCs seen to engage more in information dissemination than meaningful consultation (ibid.). In short, the survey results echoed those of the ETUI 2007 EWC survey, with most EWCs 'not yet fit for purpose' (De Spiegelaere et al. 2022). Geopolitical influences on many organisational strategies and operations re-emphasise the need to implement regulatory and internal changes to address these limitations and to roll out a stronger strategic EWC role in practice.

Furthermore, EWCs with pre-directive agreements (to foster voluntary negotiations) outside the binding framework are often ignored, while the official rights of legally 'fully-fledged' EWCs are violated and not included in national-level dialogue as increasing numbers of companies take decisions at a supra-national level (Jagodziński 2016). Beyond stronger enforcement, this situation calls for coordination of workplace instruments (e.g. unions in Europe demand participation by their experts in all EWCs and access to all sites, recognition of the role of EU-level union organisations in subsidiary requirements, and rules for negotiations with special negotiating bodies or equivalent over the establishment and future work of EWCs and SEWCs). This could be underpinned by improvements to the EWC Directive, in particular regarding definitions of information, consultation and transnational issues (Jagodziński 2016), and its enforcement capacity. Indeed, a comprehensive report which built on data from EWC agreements stored in the ETUI EWC Database and fed into an EC

evaluation highlighted the Recast Directive's failure to provide sufficient sanctions and enforcement for non-compliance, making it – in these and most other respects – 'too little, too late for enabling the establishment of more and better EWCs' (De Spiegelaere 2016: 5). The EC also acknowledges evidence that the legislation does not function as envisioned, 'fall[ing] short of the regulatory requirements that underpin the social dimension of the European project' (De Spiegelaere et al. 2022). Workplace instruments might include subject experts on workplace and wider redistribution effects, assuming that full dialogue will not be blocked or circumscribed.

With 'illiberal' Member States and varying national geopolitics, again, EWCs and other mechanisms must be able to function consistently and democratically across all country and sub-national locations of affected workplaces, particularly given increasing organisational cross-border decision-making. Therefore, calls are made for their role – as bodies responsible for information and consultation on employment and investment trends, the introduction of new working methods, cutbacks, closures and collective redundancies – to be fully enforced, in particular by implementing improvements to the EWC Directive. In 2021, the European Parliament adopted a report on democracy at work which advocated the creation of a European framework for employees' participation rights and the revision of the Directive (European Parliament 2021). It is currently considering a legislative initiative report on this revision which notes that the 'timely manner of consultation remains an issue' and points to a 'lack of management obligation to take an opinion into account' (European Parliament 2022b: 6; also, De Spiegelaere et al. 2022). It also outlines practical proposals to strengthen and clarify EWC rights, with particular emphasis on their enforcement.

Similarly, the infusion of homogeneous/transnational electoral rules in European companies could encourage a unified political constituency entitled to voting rights in Member States with differing degrees of democratic arrangement. However, analysis in 2016-17 of 62 BLER provisions in companies of that nature found that none of their agreements made any such provision. As Lafuente-Hernandez (2019: 286) observes, although this is a deviation from the prevailing federalist approach, '[s]uch harmonization could encourage the emergence of a European labour identity and promote internal cohesion among employee representatives, enhancing their ability to act more efficiently as a united countervailing power on the board [...]. It could prevent BLER from



There remains considerable scope for workplace instruments to further shape digitalisation at national and European levels

becoming an extension of national industrial relations systems dominated by the home-country culture, a risk that has already been identified in the functioning of EWCs.' However, universalist endeavours raise legal and other issues, such as how negotiated electoral rules would operate in relation to subsidiaries with legal personality, their employees and third parties. Union roles could become uncertain, as their institutional and power resources largely rely on national boundaries, institutions and constituencies. At a policy level, the findings also highlight shortcomings in the application of the regulatory framework governing European companies to BLER, though this may encourage negotiators for workers to focus on securing European and democratic legitimation, as well as rules supportive of improved articulation between board representatives, SEWCs and local employee representation 'if organized labour is to keep up with cross-border corporate power' (ibid.: 287).

The deleterious impacts of rapid labour market change (e.g. restructuring, offshoring) induced by geopolitical, pandemic and energy price developments underline the need for OSA, which, in turn, strengthens coordination at other levels. Through effective management of upward social convergence processes, workplace instruments can demonstrate a capacity to respond to the differential effects of efforts aimed at greater EU self-sufficiency at sectoral, industrial and local levels, extending the democratic premise and practice of industrial relations systems. Ultimately, however, the EU geopolitical vision

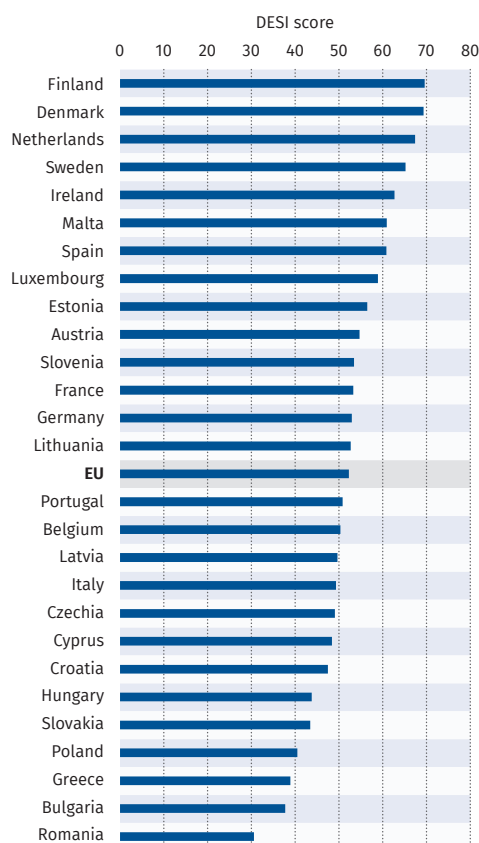
rests on societies. Disenfranchisement from – or diminished capacity to help formulate and govern – (workplace) policies and practices could fuel a 'geopolitical Europe that overlooks the social dimension [which] [...] may lead to a public backlash' (Akgüç 2021). Renewed interest in citizen participation, more participatory and deliberative forms of workplace democracy, and popular mobilisation can facilitate the pursuit of democratic renewal (della Porta 2013; Offe 1985) and respond more effectively to OSA and just social transition. Particularly in authoritarian regimes, consideration of societies' (including workplace) democratic transitions underlines new forms of upward pressure for change, with some seeing Eurosceptic populism as 'a revolt against the way democracy is conducted' (Balfour 2022). Workplace instruments need to place workers as/and citizens at the centre of measures towards strategic autonomy, managing their expectations from an early stage and adopting a transparent approach to proposed impacts. Participatory policy co-design is one vehicle for achieving strategic autonomy that also extends the purview of workplace democratic arrangements. One new institutional example is the Citizens' Panel organised through the Conference on the Future of Europe (CoFoE) which connects work and societal (including geopolitical) interests. Developing such synergies can augment the resources available to address democratic deficits and social need, as variously experienced across Member States.

Digital transition

Digital transformation in Europe is often twinned with green transition, as its contribution to EGD goals is recognised. Related opportunities include economic growth, competitiveness, innovation, new forms of work and facilitated access to labour markets for workers. Challenges concern the lack of work required to sustain a living, long hours, (new) health and safety issues, discriminatory practices, unfair termination, lack of access to dispute mechanisms, skills under-use, low pay, inadequate social protection, difficulties in exercising fundamental principles and rights at work, and workers' uneven access to democratic structures (ILO 2022; ILO 2019).

The Digital Economy and Society Index (DESI) used by the EC to measure Member State performance indicates that Finland and Denmark have the most advanced digital economies, while Romania scores lowest (see Figure 6.5).

Figure 6.5 Digital economy and society index, 2022



Note: DESI is the composite measure of human capital, connectivity, integration of digital technology and digital public services.
Source: EC (2022c) Member State reports.

The pandemic has accelerated trends in remote working, e-commerce and automation, and labour mobility (EIB 2022), although Member States' digitalisation efforts have progressed from different starting points at different rates, thus impacting differently on enterprises, workers and citizens. While there was overall convergence by countries starting at lower levels of digital development but growing at a faster pace for 2017-22 (European Commission 2022c), the Europe-wide struggle to close digital skills gaps, digitally transform SMEs and roll out advanced 5G networks varies at the country level (European Commission 2022d).

ETUI survey data for 2021 show that the EU27 digital workforce is sizeable and diverse. There are 32.7 million internet workers, as well as 15.6 million platform workers of whom 4.3 million are main platform workers (i.e. deriving at least 50% of their income from completing 20 hours per week in such work). In the case of main platform workers, the largest proportion are men under 35 years followed by women in the same age group. Most have middle and high qualifications, are 'other' rather than EU nationals by country of birth,¹ and are self-employed – either with or without employees – or students (Zwysen 2022). Other evidence shows that the widespread expansion of telework is experienced, for the most part, by high-paid, white-collar employment, with over one million ICT specialists entering the market in Europe since 2015 (Eurostat 2022). The density of workers undertaking offline, internet, platform and main platform work varies in the different Member States (Zwysen 2022).

Diverse worker characteristics and circumstances, and the diverse range of employment relationships, business models, forms of work and cross-border issues mean that the digital economy is 'a moving target which [...] has proved difficult to regulate' (Adăscăliței 2022), with only piecemeal regulatory frameworks and voluntary initiatives thus far. Furthermore, research indicates that individuals subject to atypical work arrangements which offer low job security are more likely to be the object of suppression by their supervisor (Sluiter et al. 2022). Precarious work conditions and job insecurity in one or more positions also

1. Activation of the Temporary Protection Directive is linked to the huge scale of estimated arrivals and platform work entrants.

spill over into workers' wider quality of life and they are less likely to participate politically (Bovens and Wille 2017; Geurkink et al. 2022). Such features underscore the need for stronger workplace mechanisms through which to raise their interests and social issues and to tackle rapidly-emerging digital challenges.

The EU's 2030 Policy Programme sets policy targets for the next 10 years. The Union has dedicated 127 billion euros to digital-related reform and investment in national recovery and resilience plans. Member States have committed an average of 26% of their Recovery and Resilience Facility allocation (above the compulsory 20% threshold), with Austria, Germany, Luxembourg, Ireland and Lithuania investing over 30% (European Commission 2022d). Country reforms will also be supported by the new Technical Support Instrument, and existing and draft regulatory instruments regulate and facilitate the introduction and operation of various emerging digital technologies. These instruments include the new Artificial Intelligence Act and, in December 2021, the EC's proposed Directive on improving working conditions in platform work, which will include setting reporting requirements for digital labour platforms, thereby paving the way for collective bargaining for platform workers (European Commission 2021b). Digitalisation is an ongoing policy priority in the EC 2023 work package (European Commission 2022a), and DESI-based country profiles will support countries' identification of areas requiring priority action.

However, the ETUC (2021b) argues that the proposed EU regulation on AI 'fails to address the workplace dimension' and stresses that AI governance should be a democratic process with unions and workers' representatives participating actively in its development at work. ETUC demands for AI regulation thus include the idea that unions should form part of the governance of the European AI Board rather than be consulted occasionally as one expert group; the active involvement of the social partners in the GDPR's application in the workplace; social dialogue, collective bargaining, information and consultation, and participation of unions and workers' representatives in the development and monitoring of AI at work; and the guaranteed application of the 'precautionary principle' in tackling uncertain AI risks (ibid.).

In regions with successful tripartite agreements, labour organisations may find opportunities to advocate in favour of platform workers through regulatory intervention on industry standards and operating rules, in which case firms may

participate on the condition that they have a collective bargaining agreement in place, and with a view to aligning collective agreements, industry regulation and law (ILO 2019). However, widespread calls for further regulatory and policy changes indicate the need for them to 'catch up with realities on the ground' in order to encourage inclusive labour markets and better social outcomes. For example, the EP has called for the AI Directive's scope to be expanded, notably regarding the employment status of platform workers and algorithmic management systems. Enlarging the presumption-of-employment criteria and relocating them from the body of the Directive to the preliminary recitals mean that they are not binding, thus implying that the presumption of employment set by the Directive would apply automatically to all platform workers (Adăscăliței 2022) and could encourage a more universal application of employment and labour rights alongside approaches tailored to different types of digital work and workers (Eurofound 2021b).

There remains considerable scope for workplace instruments to shape digitalisation further at national and European levels. The introduction of digital technologies and their potential to monitor performance and behaviour, and related changes to work organisation and processes, are subject to information-gathering and consultation. Unions regard the improvement of the EWC Directive (see earlier) as necessary for enabling EWCs to inform this transition (ETUC n.d.). Moreover, unions and workers' representatives are involved at an institutional level through information-gathering and consultation, BLER, collective bargaining and tri- and bipartite commissions on reskilling, with BLER addressing these matters from a strategy and information perspective. Indeed, CEDEFOP (2021) forecasts of skills shortages, for instance, in Europe's digital industries highlight the role that instruments could play in facilitating the identification of and investment in the appropriate skills, in coordination with education and training systems. Instrument coordination could also be strengthened in law and practice. For example, in MNCs, EWCs can be central to the coordination of and influence on company policy and the activities of employee representatives and unions, including when (digital) technologies, forms of work or reskilling programmes are introduced across the company.

A workshop-based study of EWC representatives from 15 MNCs (Astrees and IR Share 2019) emphasises the importance of workplace instruments and their synchronisation on digitalisation. Respondents confirmed challenges

to EWC operation and other issues stemming from the rapid pace and the transnational, often open-ended nature of technological changes and related uncertainties about their impacts for a growing labour force. The EWCs' central position within MNCs can, arguably, make it harder for them to identify and evaluate technological changes affecting work situations at grassroots level. Furthermore, 'cultural' differences (particularly those involving personal data protection) at national level concerning apprehensiveness towards technological change might prevent cohesion between EWC members; alternatively, they might be denied the legitimacy to deal with such change. Presenting digital change as part of company strategy and managerial prerogative could restrict its discussion with EWC workforce representatives when it should be the focus of information-gathering and consultation, BLER and collective agreements. Moreover, the involvement of external economic actors in 'open innovation', a concept regarded by workforce representatives and perhaps their HR contacts as an 'inaccessible black box', means ultimately that EWCs are informed or consulted only when management itself is informed, and they can initiate dialogue only after they have been informed (ibid.).

However, the study also found that social dialogue processes linked to digitalisation and EWC involvement were gathering momentum as digital innovations became more widely deployed. EWCs have begun analysing digital phenomena on the basis of transnational surveys, gained an understanding of digital transformation and its impacts from working parties, trained EWC members on digital issues and the impacts of change, monitored the deployment of a transformation project, regulated digital transformation through a transnational company agreement, and monitored and maintained social dialogue at local levels. These efforts address economic and social considerations of digital work with managers on the basis of discussion rather than dispute (ibid.) and could result in more democratised engagement. Next steps might involve a European-level methodology agreement involving EWCs to identify digital process stages and required resources, as per the Unilever European Framework Agreement on the Future of Work (ibid.). The increase in monopolies by foreign companies in digital, AI and communication fields, which disrupts EU (cyber)security and affects fundamental rights as a result of undue surveillance, also highlights the need for greater vigilance provided by workplace, national and EU instruments (e.g. European Commission 2022e).

Emerging platform democracies?

Focusing subnationally on platform workers, some unions have eschewed their organisation and collective representation due to practical obstacles, namely their geographic dispersion (where workers do not know one another), associated difficulties with generating collective consciousness, compounded by the promotion of an individualistic, entrepreneurial work image by the platforms, frequent worker turnover and possible retribution against those who attempt to unionise without effective protection (Rodríguez-Fernández 2020). However, a growing union strategy, sometimes adopted as part of renewal efforts, has been to push for regulatory reform in order to promote organising around and bargaining on wages and social rights for platform workers. In Europe and North America, well institutionalised unions have spearheaded platform worker organising around legal strategies (e.g. challenging the classification of self-employed platform workers, seeking formal union recognition) and protection of other forms of protest (Bessa et al. 2022). Furthermore, unions are more effective than individuals at acquiring information on algorithmic management and possible discrimination issues for use in legal action. Regulatory areas for union strategising on such matters include the GDPR and data protection rights, anti-discrimination directives and the proposed directive on platform work (Gaudio 2022). For the first two areas, the burden of proof lies with the employer, and while unions may find litigation to be slow, risky, expensive and requiring expertise, the threat of such action can secure responses from platform employers (ibid.).

Other individual union initiatives encourage dialogue and collective agreements within companies, as with IG Metall's 'Work and Innovation' initiative in Germany. Union membership models that do not preclude workers from joining based on their employer or employment status highlight how technological innovation and collective bargaining are mutually inclusive (ILO 2019). Unions have also developed associations and alliances that provide services to gig workers and lobby on their behalf; they have expanded non-standard employed worker outreach efforts to cover platform workers and have restructured themselves internally to create opportunities for non-standard worker affiliation (ibid.). Cross-national collaborative efforts also seek to address structural restrictions on platform workers' rights (e.g. under the 2016 Frankfurt

Declaration on Platform-Based Work, ratified by unions and worker organisations from Austria, Denmark, Germany, Sweden and North America, platforms are regarded as the relevant counterpart for negotiations). Work by IG Metall has also involved the development of a website, FairCrowd.work, which now incorporates cross-border collaboration. The site enables workers to feed back on the apps used for their work and makes that information public. While diverse online labour markets and participant interests make a definitive conclusion regarding a platform's working conditions difficult, unions can play a key role in processing, interpreting and presenting data from platform workers (ILO 2019). Major union backing also means that the concept of an online forum and employer rating system can be upscaled to indicate what it is like to work for different platforms.

Some platform workers have also set up their own unions, informal forums, works councils and health and safety representation. While minority and independent unions could be susceptible to company influence and co-option (Fine 2015) and foster inter-union competition for representational rights (Harcourt et al. 2014), some have coordinated activity effectively with existing unions. Such efforts can also involve union activism on behalf of disadvantaged worker groups such as migrants, although difficulties can arise during their affiliation (e.g. many do not have a work permit). However, such diverse arrangements are 'establishing a trend towards harmonization, convergence of positions and collaboration' (Hadwiger 2022: 30) (see Table 6.2 for examples).

Additionally, grassroots organisations for platform workers in some countries have relied more on protest action (e.g. demonstrations, strikes, collective log-offs), particularly in ride-hailing and delivery services, and with comparatively high involvement of existing unions (ibid.). However, their classification as self-employed workers or independent contractors and thus their comparative vulnerability when participating in protests can deter subsequent collective action. For example, in Germany in 2021, almost the entire workforce of three warehouses was terminated by Gorillas, an app-based grocery delivery start-up, for 'unannounced' strikes. However, alternative organising efforts rooted in platform worker and community empowerment also help to underpin an inclusive labour movement and social transition. For example, in September 2021, strikes and consumer boycotts led to the decision by Greece's largest food delivery platform E-Food to continue employing its riders and accept the workers' demand for unlimited contracts (Hadwiger 2022). Broad coalitions require reconciliation of diverse *modi operandi*, dynamic forms of digital work and worker diversity, but also provide opportunities with which to support the tenacity, as well as the experimental and adaptive strategies needed, for coordinated, democratised agency. Initiatives shown in Table 6.3 underscore the heterogeneity of work and social aspects raised by platform working.

These measures are unevenly distributed across the EU, with few in eastern Europe, although social media are proving to be useful in increasing

Table 6.2 Platform worker forums in selected Member States

Member State	Platform worker forums
Austria	The Transport and Services Union established a works council for Foodora cyclists aimed at securing better working conditions, additional premiums for night or winter work and permanent employment contracts.
Belgium	Deliveroo created the Riders Forum for consultation and discussion between the management and delivery rider representatives. Twenty Belgian couriers are elected and act as spokespersons for 3 000 couriers. However, they do not constitute a traditional works council, which means that the spokespersons do not enjoy the same protections against dismissal as union representatives.
Germany	Riders for Lieferando established works councils in various cities and a further works council to cover several other cities. However, news articles reported obstruction of their elections by the company in some instances. In 2018, an agreement was signed by a number of unions and union federations to establish an EWC at Delivery Hero, including a requirement to appoint employee representatives to the supervisory board. In 2021, the grocery delivery platform Gorillas appealed to labour courts to prevent workers from organising the election of a works council in Berlin, but a court ruled that the workers were entitled to do so.
Norway	Foodora and the trade union Fellesforbundet signed a collective agreement, setting the framework for introducing shop stewards. The shop stewards' working committee holds meetings with the management, and both parties raise matters for discussion. Foodora must inform workers about upcoming changes and listen to the shop stewards' views.

Source: Based on Hadwiger (2022: 33).

Table 6.3 30 platform initiatives to improve workers' employment and working conditions

Member State	Initiative name	Focus											
		Advice and exchange	Awareness raising, campaigns and information provision	Training	Codes of conduct, standards	Organising platform workers	Covid-19	Negotiation of working conditions	Provision of insurance, social protection	Industrial action	Legislation	Taxation	Arbitration
Austria	Collective agreement for bicycle couriers					✓		✓	✓				
	Works council in Foodora Austria					✓		✓					
Austria, Germany	FairCrowd.work	✓	✓	✓		✓	✓	✓					
Austria, Germany, Norway	SEWCs in Delivery Hero	✓											
Belgium	ACV-CSC United Freelancers	✓	✓	✓		✓	✓	✓					
	Programme Act of 1 July 2016										✓	✓	
Belgium, Ireland, Netherlands*	Deliveroo and Qover								✓				
Denmark	3F union support for platform workers					✓		✓	✓				
	Sharing Economy Council	✓	✓										
Estonia	Taxation system and Simplified Business Income Taxation Act 2018								✓		✓	✓	
France	CoopCycle federation of bicycle delivery cooperatives	✓	✓		✓	✓			✓				
	Coursiers Bordelais cooperative					✓			✓				
	Deliveroo France						✓		✓				
	Frizbiz household tasks platform	✓		✓					✓				
	Law No. 2016-1088 of 8 August 2016 on labour, the modernisation of social dialogue and the securing of professional careers			✓		✓		✓	✓	✓	✓		
	Law No. 2018-898 of 23 October 2018 on the fight against fraud								✓		✓	✓	
Germany	Law No. 2019-1428 of 24 December 2019 on the orientation of mobility			✓		✓		✓	✓		✓		
	Crowdsourcing Code of Conduct				✓								
	Delivering at the Limit works council		✓			✓							
	Ombuds Office for crowdworking platforms												✓
Italy	Uber Eats Covid-19 support		✓				✓		✓				
	Law No. 128 of 2 November 2019 on the protection of digital platform work							✓	✓		✓		
	National collective agreement in logistics, freight transport and shipping							✓	✓				
	Riders' municipal information counter		✓				✓						
	Riders' Union Bologna	✓	✓			✓	✓	✓	✓	✓		✓	
Netherlands	Riders' Union Netherlands		✓			✓	✓	✓		✓			
Norway	Collective agreement between Foodora and United Federation of Trade Unions					✓	✓		✓				
Spain	Asoriders association of courier riders	✓	✓	✓	✓	✓			✓				
	'Make yourself visible!' campaign		✓										
	Sharing Spain		✓		✓								

*Also applies to nine other countries not included in the analysis. Source: Eurofound (2021b: 6-7).

their dissemination, capacity building and the exchange of good practice (Eurofound 2021b). As a whole, they present a picture of short-lived initiatives of representative democracy, undertaken in support of platform workers by organisations which are often under-resourced for moving 'beyond enhanced dialogue to actually improve working conditions' (ibid.). However, some initiatives could evolve into deeper, coordinated democratic forms, which is important given the borderless nature of much digital work. The creative approaches adopted in work instruments by online web-based workers have so far included a smaller range of strategies than their location-based counterparts; indeed, initiatives have greater visibility and resourcing capacity when embedded in wider strategies (ibid.; Hadwiger 2022).

Employers have also established organisations (e.g. Deutscher CrowdSourcing Verband in Germany) or used existing employer organisations to defend platform contracting models (IOE 2019). Some also resort to the

courts to protect the independent contractor classification of platform workers (Hadwiger 2022). More positively for workers, other organisations (e.g. Cabify, Deliveroo) have voluntarily signed the World Economic Forum (WEF) Charter of Principles for Good Platform Work, committing them to workplace and social concerns including diversity and inclusion, social protection, and employee voice and participation, and seeking the prioritisation of fairness and non-discrimination in algorithm design (WEF 2020). However, the digital transition is largely driven by private and profit-seeking initiatives (unlike the green transition which requires significant public and private investment), providing for varying levels of employer responsiveness to workers' interests. And the unilateralism of the Charter does not speak to relations between employers, platform workers, unions, BLER, EWCs and other mechanisms.

Economic transition

Until recently, an open market economy approach was promoted in the region, underpinned by neo-monetarism and austerity measures, along with an SGP whose fiscal rules aim for prudent Member State expenditure. However, the pandemic and economic downturn saw policy responses move towards an EU economic and monetary policy emphasis on sustainable development, balanced economic growth and social market economy (European Union 2010), with the activation of the SGP general escape clause in March 2020 allowing countries to exceed normal deficit and debt limits.

Building on existing work, the EC Work Programme for 2023 lays out six connected priorities: the EGD; a digitally fit Europe; 'a stronger Europe in the world'; promotion of a European way of life; an economy that works for people; and 'a new push for European democracy', although economic proposals will be re-evaluated shortly given that they were developed during high economic uncertainty (European Commission 2022f). Europe's economic, social and environmental policy agenda should ensure that governments at all levels, businesses, the social partners and households contribute consistently towards twin transition targets and the employment, skills and poverty reduction targets of the EPSR Action Plan, thereby securing economic stability, the smooth functioning of the single market and inclusion (European Commission 2022g). Initiatives include the creation of social safety nets in support of labour mobility, the updating of the quality framework for traineeships to

address issues such as fair remuneration and access to social protection, the Commission's tabling of a legislative initiative on a statute for European cross-border associations, covering civil society and affording the full benefit of the freedoms offered by the single market, a Council Recommendation to develop social economy framework conditions to help Member States to adapt their policies and laws more effectively to the needs of social economy entities, and the Union's pursuit of a strengthened budget. Also associated with geopolitical transition, the EU's sanctions toolbox will deal with corruption, ramping up efforts in security and defence. To strengthen EU resilience and diversify supply chains, the EC will push for the full ratification of trade agreements and continue negotiations with other important partners (European Commission 2022a).

The proposed review of EU economic governance is informed by the 2021 CoFoE proposals formulated by a wide array of stakeholders. Some directly reference the social partners (see Table 6.4), whose behaviour reflects and has implications for the democratic arrangements, focus and activity of workplace instruments. In brief, proposal 11 focuses on shifting to a sustainable and resilient economic growth model, considering the twin transition with a strong social dimension, and empowering citizens, unions and businesses. Suggested measures include better involvement of the social partners and local and regional authorities in the implementation of the

Table 6.4 Selected 2021 CoFoE proposals for EU economic transition involving the social partners

Proposal	Social partner involvement
11. Sustainable growth and innovation	Better involvement of the social partners and local and regional authorities in implementing the European Semester with a view to improving its application and accountability
12. Enhancing EU competitiveness and further deepening the single market	Establishment of an EACB that includes organised civil society and the social partners in its governance
14. Inclusive labour markets	Ensuring that the EU, together with the social partners and national governments, supports targeted access to decent social housing for citizens, according to their specific needs
14. Stronger social policies	Reduction of inequalities, social exclusion and poverty, including through ensuring that the EU, social partners and national governments support targeted access to decent and tailored social housing, with financial effort shared among stakeholders at all levels
29. Anti-discrimination, equality and quality of life	Consultation with experts and the social partners for developing transparent quality of life indicators including economic, social and rule of law criteria, and involvement of social partners in determining EU-wide criteria on anti-discrimination in the labour market and providing incentives

Source: European Union (2022, various pages).

European Semester (European Union 2022), whose evolution emphasises the need for inclusive recovery and stronger resilience (European Commission 2022g). Enhancement of EU competitiveness and further deepening of the single market (proposal 12) could mean that new EU policy initiatives undergo a 'competitiveness check' to analyse their impact on companies and their business environment, and lead to the establishment of a European Advisory Competitiveness Body for monitoring the checking process which would involve organised civil society and the social partners, extending the democratic arrangements of economic governance (European Union 2022).

Social transition and upward convergence are also emphasised in proposal 13 which is concerned with improving labour market functioning to ensure fairer working conditions and promote gender equality and employment. To that end, the EU, Member States and social partners should seek to end in-work poverty, address platform workers' rights, ban unpaid internships and ensure fair labour mobility. Also advocated is the promotion of social dialogue and collective bargaining. Concurrently, national traditions, social partner autonomy and cooperation with civil society should be respected. Alongside this, suggested measures for stronger social policies (proposal 14) to reduce inequalities, social exclusion and poverty will entail a comprehensive anti-poverty strategy, including a reinforced Child Guarantee and Youth Guarantee, the introduction of minimum wages, a common EU framework for minimum income schemes, as well as EU, social partner and government support for targeted access to decent, needs-sensitive social housing financed by multiple stakeholders. As with proposal 13, this proposal underlines the importance of the EPSR's full implementation, and thus respect for its competences as well as the principles of subsidiarity and proportionality, and the need to include a Social Progress Protocol in the Treaties.

Proposal 29 sets out the objective of taking action to harmonise EU living conditions and improving citizens' socio-economic quality of life. Suggested measures include consultation with experts and the social partners to develop transparent quality of life indicators in order to establish a realistic timeline for raising social standards and achieving a common EU socio-economic structure, including through the ESPR's implementation. These measures should be integrated into the economic governance framework and European Semester process. Social partners should also be heavily involved in determining EU-wide criteria on

anti-discrimination in the labour market and incentivising the hiring by private companies of those usually most subject to discrimination (e.g. young people, the elderly, women, minorities), including through subsidies and, potentially, temporary quotas (ibid.).

The proposals anticipate active roles for the social partners on the basis of existing and proposed mechanisms and are strongly aligned with achieving socio-economic aims and equality. However, their input is still to be fleshed out with details on how higher-level engagement by the social partners will frame local workplace input, democratic arrangements and efforts aimed at upward convergence. Furthermore, the ETUC (2022c) is concerned that the EC and Council will respond to proposals 'simply by highlighting initiatives that are already being prepared or are under discussion, without following up on the most ambitious proposals' that will entail change in EU policies and institutions. Moreover, other CoFoE proposals on economic transition (e.g. on health) do not explicitly reference social partner or workplace instruments; this will have implications for their scope and influence on such instruments amid interacting transition dynamics.

Relevant to a number of the proposals, a key feature of economic transition in Europe is the acceleration of transnational corporate (re)organisation and workplace instruments. Echoing in part a response to inconsistencies between Member States' legislation (Biermeyer and Meyer 2018), the EU Company Law Package (CLP), passed in 2019, is currently being transposed into Member States' legislation. Following EP intervention and ETUC demands, greater transparency, information and consultation are sought prior to and during cross-border mergers, divisions and conversions. In particular, the Cross-Border Conversions, Mergers and Divisions Directive (Directive (EU) 2019/2121), while amended to some extent in the CLP, increases the potential for corporate abuse through the use of cross-border reorganisation aimed at avoiding worker participation; however, it lays down anti-abuse safeguards which might be implemented in different ways in individual Member States (Vitols et al. 2019). Under certain circumstances, the CLP also foresees the internationalisation of BLER in company boards that have applied EU law in order to merge or divide across borders or to convert a company form of another Member State. The ETUI's GoodCorp network of company law experts identified three areas and made 13 related recommendations on areas where the package could be strengthened to help protect workers' rights and discourage corporate

abuse. On workers' involvement, prior to and during cross-border legal reorganisation, its recommendations included embedding the CLP explicitly into the EU *acquis* on information and consultation rights at national and transnational levels and applying standard rules for employee involvement, even if the applicable threshold is not attained. After reorganisation, it suggested that adequate information and consultation at European level and employee representation at board level should be acquired, thus securing the protection of acquired rights (see Hoffman and Vitols 2018). For their part, EWCs, established as a unique response to the Europeanisation of business underpinned by neo-liberal political and economic strategies, are widely regarded as key mechanisms in – and assessors of the optimal approach for – matching or anticipating such changes on a legitimate basis. As noted, however, they face a slew of contextual and internal challenges while periodically reforming in order to maintain or extend their scope and influence for the workplace contingent.

These considerations are borne out by France's recent changes to its national laws in order to expand mandatory BLER rights to private-sector corporate groups and to introduce a potential new role for EWCs and SEWCs in appointing one of the two board-level employee representatives, alongside the existing laws allowing EWC worker representatives to vote on corporate boards. As Lafuente (2022: 6) observes, while the concept of European mandates has been fostered in policy and practice by the ETUC and European Union federations to ensure that the interests of corporate groups' European or global workforce are represented, this position did not extend to suggesting changes in employee representation institutions or practices embedded in multinational groups governed by domestic law. French legal provisions allow the second board-level employee representative to be granted a European mandate by the SEWCs and (possibly) to be non-French, potentially extending rights to countries without codetermination. This is a key development, given EWCs' continuing confrontation with 'done deals, especially in the event of transnational company restructuring' (ETUC n.d.). From a sample of

132 French-registered companies with an SEWC, Lafuente (2022) identifies that 41 French MNCs, including French SEs, have applied the Europeanisation option for BLER appointments based on French law. Furthermore, France's recent PACTE Law could allow more BLER mandates to become Europeanised, as more French companies are expected to be obliged to have two employee representatives on their respective boards (*ibid.*).

As well as advancing knowledge on BLER Europeanisation in MNCs governed by national law, the research highlights that these changes to the role of SEWCs raise new legal uncertainties, political tensions and possible opportunities. For example, 'articulation between the parent-company BLER and the [SEWC] is [...] underexplored' in terms of providing unions across Europe with the opportunity 'to gain insights into the decision-making of the governing body'. Furthermore, unions can partake in the appointment of members or propose candidates for 'an arena of potential use for transnational trade union action' (*ibid.*: 7). For French unions, this could alter pre-existing BLER system dynamics while favouring the establishment of (Europeanised) BLER in companies with no previous BLER. This case thus illustrates an increasing level of integration of key mechanisms for workers at a European level, providing a potential impetus for the legitimate extension of democratic arrangements under the national laws of other Member States.

Furthermore, upon EU industrial strategy implementation, the ETUC (2022a) maintains that Important Projects of Common European Interest and industry alliances that have been created to develop large-scale and cross-border industrial projects in strategic domains should contribute more effectively to EU economic and social cohesion policy objectives, and be conditional on effective social dialogue and the respect of workers' rights, notably when it comes to information and consultation, which suggests supporting key roles for EWCs and BLER.

Social transition – underpinning an ambitious agenda

The region's navigation of intertwined transitions reflects and shapes the agency of instruments and processes that encourage worker participation, representation and engagement in organisational decision-making. At once, the challenges and opportunities of these dynamics highlight the underdevelopment of Europe's social dimension, itself an ambiguous concept comprising various national social models and EU social policies (De Spiegelaere et al. 2022; Streeck 2019), thus promoting the formulation of principles that could underpin more ambitious progress.

First, transformative social transition requires wider, deeper and connected workplace democracy arrangements across the region. Leaders and citizens alike have called for EU-level democratic reform (e.g. of the Treaty) (European Union 2022); engagement by social partners and workplace instruments to promote European democracy as a dedicated strategy will be essential. For instance, CoFoE proposal 25 (rule of law, democratic values and European identity), if converted into effective action, will focus on education and development, the universal application and enforceability of the EU Charter of Fundamental Rights and annual conferences on the rule of law attended by randomly-selected and diverse citizens, civil servants, parliamentarians, local authorities, social partners and civil society.

Democracy deficits are also flagged up at workplace level. For instance, while around 1 200 EWCs and SEWCs exist, covering over 17 million employees (Jagodziński 2016), half of around 2 400 companies could meet the threshold for establishing an EWC or SEWC. According to the 2018 ETUI survey of EWC and SEWC members, nearly half (46%) meet just once a year (though EWC employee-only meetings are more likely with a union coordinator), while a mere 22% are consulted before final workplace decisions are taken (De Spiegelaere and Jagodziński 2019). Only half of respondents received training and, despite their workforce presence, women formed less than one fifth (18%) of the respondents (ibid.). The existence of multiple EWCs in some companies also suggests their under-tapped

significance in tackling transition changes through inclusive dialogue at sub-European or -national levels. Thus, where workplace instruments exist, their actual and potential capacity to raise and respond to diverse worker and employer voices and circumstances must be more convergent. Full adherence by all parties to processes that facilitate the complete and democratic and/or extended operation of those instruments, along with the coordinated pursuit of improved conditions for workers, is vital. Drawing on ETUI 2018 EWC survey results, for example, Lafuente-Hernandez et al. (2022) show that, while the existence of board-level employee representatives is not linked to better EWC functioning, EWC members who communicate with them report more effective EWC functioning. Workplace democracy and social transition aims may highlight how the achievements of individual instruments are secondary to their achievements in combination with other instruments in particular contexts (Hoffmann et al. 2020), although this review also suggests the pertinence of individual and combined workplace instruments for progressing responses to certain transition issues, and the absence of a single transformation path.

Beyond better regulatory enforcement of the functions of workplace instruments, this result could point to *informed* representation, where representatives or co-optees with transition expertise (e.g. on complex digitalisation issues and their meaning for social progress) are included in operations and workplace exchanges involving EWCs, codetermination and BLER, collective bargaining and other instruments. Effective participative democratic arrangements must also feature at all levels so that the voices of workplace and other stakeholders are heard between elections, their engagement reflecting the connections between workplace, civil and political experience. To this end, the integration of workplace instruments into new and proposed governance mechanisms (e.g. social partner input into national and regional just transition plans that will inform workplace operations) and multi-level coalitions is essential. Furthermore, increasing transnational organisation must

be met with an effective, counterbalancing influence to enhance cross-border democracy at work. Despite the EU's accelerated facilitation of economic and business integration across borders, the strengthening of workers' democratic rights in fulfilment of the goals proclaimed in the Treaties fails to keep pace, as the democratic instruments proposed in legislation such as the CLP fail to materialise (Hoffmann et al. 2020).

A second principle concerns integrated analysis of 'the four transitions' in relation to democratic and social progress. Each transition poses unique and shared challenges for workers, employers and their representatives at different workplace levels, as exemplified by greater geopolitical uncertainty within and across certain EU countries. Democratic reforms are fused with company sustainability and social and other transition effects (ETUC 2019), emphasising benefits for both employers and workers. While much policy and practice by workplace and other mechanisms take account of the twin transitions, or upward economic and social convergence (Eurofound 2020), the interactive influences of green, digital, geopolitical and economic transitions on one another, social progress and EU sustainable development, though significant, have received little systematic attention. The EGD vision, for example, can be seen to go beyond transition to a transformation of how Europe produces and consumes goods and services, and how it ensures that costs and opportunities are distributed across its Member States and demographic and social groups. Holistic transition analysis is complex but central to formulating effective regulatory and policy responses, and to developing strategies that encourage emphasis of workers' voices in workplace instruments, democratic oversight of their work and workplace, and greater social transition. Appropriate resourcing of such measures is vital, particularly if other transitions (e.g. demographic changes) augment the analysis.

A related principle emphasises early engagement by democratic workplace instruments in processes and agendas that prioritise social transition. Workplace mechanisms can be distanced or omitted from key forums and decision-making (including on transnational company restructuring), despite the stakeholder benefits that their input provides for workplace and societal progress. Early definition of the roles of workplace and other instruments can ensure that decision-making in Europe on social transition is not delayed, nor democratic processes and actors (as in the case of social partner prerogatives defined in the Treaties)

undermined. Democratic forms can also evolve in the right workplace and climate, enabling them to keep pace with, anticipate and address dynamic transitional challenges.

A fourth principle concerns upward convergence in social transition facilitated by workplace democracy. Research indicates that upward social and economic convergence patterns are unstable, exacerbated by the pandemic (Eurofound 2020), with the regional labour market recuperating but employment yet to return to pre-Covid levels (European Commission 2022h). Based on Social Scoreboard monitoring of the EPSR that focuses on equal opportunities and labour market access, fair working conditions, and social protection and exclusion, the EC encourages Member States to take action to address identified employment, skills and social policy challenges while availing themselves of EU funding possibilities. In particular, Member States should support job creation, ease transitions from unemployment into employment and between jobs, strengthen economic and social resilience, and ensure that the twin transitions are fair in order to progress towards 2030 headline targets (ibid.; European Commission 2021c). National efforts in social and other policy domains to achieve sustainable upward convergence must involve the social partners, unions, other workplace instruments and coalitions at all levels. For instance, systematic inclusion of Social Scoreboard indicators and key targets in their agendas, representative and participative democratic decision-making and input on specific measures for their improvement could help drive ambitious social transition. The pace at and extent to which workplace instrument agendas will correspondingly widen will vary due to contextual sensitivities but could also be part of a general upward convergence approach to seeking a new social contract.

A final principle extends a 'people-centred approach', already advocated by the EU for the evolving digital economy, to each transition via workplace and wider instruments. Recently established panels are enabling citizens' voices to be heard as part of the EC's policy-making in key areas. Furthermore, the EC's 2023 work programme priority of putting citizens at the heart of European democracy builds on proposals made during the CoFoE and is an exercise in participative and deliberative democracy on a European scale (EC 2022c). The Conference exemplifies the carving out of a new institutionalised but bottom-up space involving social partners, civil society organisations and others in pursuit of worker and other interests, and, within this mechanism, social partners

engage on multiple platforms. Momentum on proposed areas of work may be fostered through multilateral practical measures at all levels while respecting the principles of subsidiarity, proportionality and democratic accountability. The ongoing, coordinated and institutionalised (early) engagement of the social partners and workplace instruments in such forums and their follow-up will be particularly crucial, as will be the regular activity needed to normalise responses to transition issues in work and society. Central to these concerns are connections between workplace participation and representation, and political/civil agency and voice. While most research asserts positive connections, recent work indicates that they are nuanced, and that

negative spillover can occur (e.g. the survey on Dutch workers set out in Geurkink et al. (2022) finds that supervisors' suppression of employee voice triggers both positive and negative effects for different forms of political participation, with other mechanisms coming into play). Workplace instruments might usefully extend such research to other contexts to assess the influence of their labour market characteristics and political systems. They might also ascertain where they have most impact on encouraging workplace and wider participation based on democratic processes and political socialisation at work, and consider how political participation can influence workplace participation.

Conclusions

Comparatively speaking, Europe experiences high standards of living, good working conditions and a good level of social protection (Brown 2020). However, it has reached a critical juncture as inequalities persist across and within Member States, with many gaining no benefit from positive developments. Indeed, the interconnected dynamics of green, geopolitical, digital and economic transitions over time and since the pandemic have functioned differentially in various industrial relations and political economy settings, presenting benefits and challenges to workers and workplaces. Convergences and differences in their distributive effects thus render work and other instruments critical for counter-influencing any tendencies that polarise the labour market and wider society. However, despite its social, economic and political benefits, democracy in Europe's workplaces and societies is under strain, and social progress is underdeveloped. The potential for democratically premised workplace instruments to tackle the transitions more effectively is therefore directly connected to the EU's social progress, resilience and sustainable development. Against the background of countries' differing experiences of the transitions, well-supported, coordinated

and extended forms of workplace and civil democracy must demonstrate upward social convergence such that all workers are treated fairly and can access socially progressive outcomes encouraged by workplace and wider governance systems. The mutuality of workplace and social progress calls for a transformative agenda that navigates the transitions through Treaty changes, inclusive governance and enhanced, interlocking workplace forums encompassing involvement, information, consultation, participation and decision-making at all levels. The broad principles arrived at here could form the basis for further discussion. However, their utility depends on efforts at EU level to address deficiencies in the exercise of democratic rights in the workplace and the related information gaps which curb evaluation of the transition impacts that are to be anticipated and addressed collaboratively by stakeholders.

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All links were checked on 18.01.2023.

List of figures

Figure 1.1	GDP (in constant prices), EU, UK, US, 2019=100, 2019-2022, 2023 (f)	35
Figure 1.2	GDP per head (in constant prices), 2019=100, EU27 Member States, 2020-2022, 2023 (f)	35
Figure 1.3	Inflation rate (Harmonized Index of Consumer Prices) (annualized monthly rate %), EU, EA and the US, 2019M12-2022M12	36
Figure 1.4	Contributions (in percentage points) to headline inflation (HICP) (% , year-on-year) of Euro area of various groups of inflation components 2019M12-2022-M12	36
Figure 1.5	Profit share EU27 (% of GDP)	38
Figure 1.6	Nominal compensation per employee vs. inflation (Consumer Price Index) (2020=100), EU Member States	39
Figure 1.7	Adjusted wage share (%), EU and euro area, 1995-2022	39
Figure 1.8	Inflation rate (Harmonized Index of Consumer Prices, %, year-on-year), EU Member States, 2022M10	40
Figure 1.9	Current account balances (% of GDP), EU Member States, 2019, 2022	41
Figure 1.10	Adjusted gross real disposable income of households and actual real final consumption per capita (% change quarter-on-quarter), EU, 2020Q1-2022Q2	42
Figure 1.11	Gross fixed capital formation (constant prices) 2020=100, 2021-2023 (f), EU Member States	42
Figure 1.12	Fiscal policy stance (% of potential GDP), EU and euro area, 2019-2022	43
Figure 1.13	Government budget deficit (% of GDP), EU Member States, 2020-2022	43
Figure 1.14	Governments' funding (both allocated and earmarked) for mitigating the impact of high energy prices on households and firms (% of GDP and billion euros), EU Member States, September 2021-November 2022	44
Figure 1.15	Public debt as a share of GDP (%), EU Member States, 2019-2022 (f)	44
Figure 2.1	Changes in unemployment rate by EU Member State	55
Figure 2.2	Changes in unemployment rates by country in the EU27	55
Figure 2.3	Change in shares of people aged 15-74 not working	56
Figure 2.4	Employment rate by country	57
Figure 2.5	Change in hours usually worked per week 2019-2022 (Q2)	58
Figure 2.6	Distribution of changes across countries and average employment change by industry	59
Figure 2.7	Job vacancy rate 2019 to 2022	59
Figure 2.8	Under-employed part-time work in the EU27	60
Figure 2.9	Under-employed temporary work in the EU27	60
Figure 2.10	Change in vulnerability on the labour market (2019-2022 Q2)	61
Figure 2.11	In-work at-risk-of-poverty	62
Figure 2.12	Share of 15- to 24-year-old NEETs	62
Figure 2.13	Sometimes or usually working from home	63
Figure 2.14	EU27 citizens of working age residing in another Member State (as a % of their home country resident population)	63
Figure 2.15	Number of asylum applicants (non-EU27 citizens), EU27, 2008-2021	64
Figure 2.16	Distribution of platform work across countries	65
Figure 2.17	Adequacy of minimum income schemes (%)	67
Figure 2.18a	Labour dimension in NRRPs: employment protection	69
Figure 2.18b	Labour dimension in NRRPs: active labour market policy	69
Figure 2.19a	Labour dimension in CSRs: active labour market policy	70
Figure 2.19b	Labour dimension in CSRs: working conditions	70
Figure 3.1	Development of nominal compensation* in 2021 and 2022 (change in % compared with previous year's)	80
Figure 3.2	Development of real compensation* in 2021 and 2022 (change in % compared with previous year's)	81
Figure 3.3	Development of real compensation* (EU, 2001-2022)	81

Figure 3.4	Development of collectively agreed wages in the euro area (annual rate of change; 2010-2022*)	82
Figure 3.5	Development of labour productivity* and real wages in 2022	83
Figure 3.6	Development of wage share in the EU* (2000-2023)	83
Figure 3.7	Wage inequality between EU Member States (2000-2021)	84
Figure 3.8	Change in inequality in hourly real wage (P90/P10) from 2010 to 2020	84
Figure 3.9	Link between gross earnings inequality and minimum wage (left) or collective bargaining (right)	85
Figure 3.10	Development of hourly nominal and real minimum wages in 2023* (in %, 1 January 2022-1 January 2023)	87
Figure 3.11	Statutory national minimum wages in the EU (per hour, in euros, January 2023)	88
Figure 3.12	Purchasing power of statutory minimum wages (per hour, PPS on euro basis*, 1 January 2023)	89
Figure 3.13	Minimum wage as % of full-time median and average wages (2021)	90
Figure 3.14	Collective bargaining coverage* in EU countries (2019 or most recent year available)	91
Figure 3.15	Days not worked due to industrial action in Europe per 1000 employees (weighted average, 2000-2022)	92
Figure 3.16	Days not worked due to industrial action per 1000 employees (country comparisons: 2000-2009, 2010-2019, 2020 and 2021)	94
Figure 4.1	Energy-related CO ₂ emissions in major developed economies (Gt)	102
Figure 4.2	Change in greenhouse gas emissions by Member State (Q1 2019-Q1 2022, in %)	103
Figure 4.3	Greenhouse gas emissions by economic activity, EU27, Q1 2010-Q1 2022 (million tonnes CO ₂ -eq.)	104
Figure 4.4	Annual GHG emissions by gender according to main spending items in Sweden (kg/person)	104
Figure 4.5	CO ₂ emissions (in megatonnes) and annual hours worked	105
Figure 4.6	Electricity prices for household consumers (first half of 2021 and first half of 2022 in EUR/KWh)	107
Figure 4.7	Harmonised energy price index (electricity, gas, fuels) in EU Member States, September 2022 (September 2020=100.0)	108
Figure 4.8	Household spending on energy by income decile, 2021	109
Figure 4.9	Energy poverty – share of population unable to keep home warm (%; 2021)	109
Figure 4.10	New investment in renewable energy generation in the US, China and the EU27 (USD bn)	111
Figure 4.12	New car sales by fuel type in the EU (2022 2Q)	112
Figure 4.11	Women are underrepresented in STEM fields in tertiary education	112
Figure 4.13	The average new car sold in Europe (price, mass, engine power and CO ₂ emissions), 2001-2020	113
Figure 4.14	Breakdown of expenditure supporting the green transition per policy area	116
Figure 5.1	Rate of fatal accidents at work between 1994 and 2007 for common economic sectors in the EU15 + Norway, and between 2008 and 2020 for all economic sectors in the EU27 (incident rate per 100 000 workers)	124
Figure 5.2	Changes in the rate of fatal accidents at work during the 2018-2019 and 2019-2020 periods (change in incident rate per 100 000 workers compared to previous year)	125
Figure 5.3	Share of manufacturing firms using advanced robots against non-fatal incident rate in manufacturing in 2018, by country	126
Figure 5.4	The four waves of asbestos exposure	128
Figure 5.5	Share of EU workers exposed to risk factors that can adversely affect mental health between 2007 and 2013 (%)	130
Figure 5.6	Share of EU workers exposed to risk factors that can adversely affect mental health in 2020 by type of factor, age group, sex, educational attainment level, economic activity and size of enterprise (%)	131
Figure 5.7	Share of EU workers exposed to risk factors that can adversely affect mental health in 2020 and 2022, by factor (%)	132
Figure 5.8	Share of EU workers saying the use of digital technologies in their workplace... (%)	133
Figure 5.9	Share of EU workers reporting the availability of measures to address stress at work (%)	133
Figure 5.10	The interconnectedness of OSH with sustainability and the twin transition	138

Figure 6.1	Quality of industrial democracy across Member States, 2013-17	146
Figure 6.2	European Participation Index, 2019	147
Figure 6.3	EU Member States' progress towards 2020 national targets	148
Figure 6.4	Board-level employee representation, EEA	151
Figure 6.5	Digital economy and society index, 2022	155

List of tables

Table 4.1	Global clean energy investment by sector, 2021, bn USD, and change from 2020, %	110
Table 4.2	Battery electric vehicle sales in the EU, first half of 2022, and change compared to first half of 2021 (%)	113
Table 4.3	Main categories of national measures (and their funding) to shield consumers from higher energy prices*	115
Table 5.1	Occupational cancer deaths due to asbestos, EU27, 2019	127
Table 6.1	Union involvement in the design of Territorial Just Transition Plans in Member States, mid-2021	150
Table 6.2	Platform worker forums in selected Member States	158
Table 6.3	30 platform initiatives to improve workers' employment and working conditions	159
Table 6.4	Selected 2021 CoFoE proposals for EU economic transition involving the social partners	161

List of country codes

AT	Austria
BE	Belgium
BG	Bulgaria
CH	Switzerland
CY	Cyprus
CZ	Czechia
DE	Germany
DK	Denmark
EE	Estonia
ES	Spain
FI	Finland
FR	France
GR	Greece
HR	Croatia
HU	Hungary
IE	Ireland
IT	Italy
LT	Lithuania
LU	Luxembourg
LV	Latvia
MT	Malta
NL	Netherlands
NO	Norway
PL	Poland
PT	Portugal
RO	Romania
SE	Sweden
SI	Slovenia
SK	Slovakia
UK	United Kingdom
US	United States
EA(19)	19 EU Member States that adopted the euro before 2016
EU13	EU 'new' Member States that joined the EU after 2004
EU15	EU Member States that joined the EU before 2004
EU27 (2007)	EU Member States that joined the EU before 2012
EU28	EU Member States that joined the EU before 2014
EU27	EU Member States after Brexit

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