

# Benchmarking Working Europe 2024

## The ongoing quest for Social Europe

Edited by  
Agnieszka Piasna and  
Sotiria Theodoropoulou

# **Benchmarking Working Europe 2024**

## **The ongoing quest for Social Europe**

Edited by  
**Agnieszka Piasna and  
Sotiria Theodoropoulou**

# 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:

- Empowering trade unions, confederations and federations
- A new eco-social contract underpinning an economy that works for everyone
- Reinforced democracy at all levels
- Ensuring a fair deal for all workers
- Capacity-building and learning developments
- Operating and general activities

[etui@etui.org](mailto:etui@etui.org)

[www.etui.org](http://www.etui.org)

# The European Trade Union Confederation (ETUC)

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 the priority.

[etuc@etuc.org](mailto:etuc@etuc.org)

[www.etuc.org](http://www.etuc.org)

Brussels, 2024  
© Publisher: ETUI aisbl, Brussels  
All rights reserved  
Print: ETUI printshop, Brussels

D/2024/10.574/08  
ISBN: 978-2-87452-703-6 (print version)  
ISBN: 978-2-87452-704-3 (electronic version)

The ETUI is co-funded by the European Union. Views and opinions expressed are however those of the author(s) only and do not necessarily reflect those of the European Union or the ETUI.



Neither the European Union nor the ETUI can be held responsible for them.

### **Acknowledgement**

We would like to thank Nicola Countouris for his essential input; Mehtap Akgüç, Stan De Spiegelaere, Silvia Rainone, Zane Rasnača, Kurt Vandaele and Bart Vanhercke for reviewing this edition's chapters; and our colleagues from the ComPub Unit and the Documentation Centre for formatting, printing and disseminating the publication. Special thanks to Giovanna Corda (Documentation Centre) for checking all the references in this issue before her well-earned retirement.

When citing this publication, please use the following reference:

Piasna A. and Theodoropoulou S. (eds.) (2024) *Benchmarking Working Europe 2024*, ETUI and ETUC.

For references to individual chapters, please use authors' names.



# Contents

Foreword.....	8
<b>Momentum and fragility in Social Europe’s renewal.....</b>	<b>13</b>
<b>1. European macroeconomic policies amidst shifting priorities.....</b>	<b>27</b>
<b>2. Labour market and social developments in the EU: the quest for strong jobs recovery.....</b>	<b>51</b>
<b>3. Wages and collective bargaining: the Adequate Minimum Wages Directive as a game changer .....</b>	<b>87</b>
<b>4. The quest for an eco-social Europe.....</b>	<b>115</b>
<b>5. The state of democracy at work in the EU: institutions at the company level.....</b>	<b>141</b>
List of figures and tables .....	161
List of country codes.....	163
List of authors.....	164



**Esther Lynch**  
ETUC General  
Secretary



**Bart Vanhercke**  
ETUI Director of  
Research Department

# Foreword

In June 2024, European citizens will have the opportunity to cast their vote for a new European Parliament. This election – the tenth parliamentary election since the first direct elections in 1979 – is expected to be one of the more contentious elections in the history of the European Parliament, given the expected gains of far-right parties in recent polling. In this particular context, the perceived gap between the daily preoccupations of European workers and decision-making by the European institutions has taken on a new prominence. Protests and grassroots campaigns are taking place in the streets of Brussels against the EU’s new economic governance rules. The expected ‘austerity 2.0’ that will result from these new rules, will indeed pressure low-income workers and strain public services, but also hurt Member States’ ability to invest in climate and social protections. During the past weeks, farmers have blocked a border crossing between Poland and Germany, thrown bottles at police in Brussels, and gathered in Madrid to demand action on cheap imports and what they say is unfair competition from abroad, imposed by EU rules ‘made in Brussels’. In other words: the EU is wrongly seen, and portrayed, as being unable to respond to people’s concerns.

The yearly ETUI-ETUC report *Benchmarking Working Europe* (henceforth ‘*Benchmarking*’) has the ambition, since 2001, to diminish the knowledge gap about the world of labour and social affairs by providing a genuine benchmarking exercise, with workers’ concerns at the centre of its analysis and policy proposals. In this sense it contributes to the overall monitoring of the social dimension of the EU, establishing what progress – or lack thereof – has been achieved in selected areas of importance to the trade unions and of significance for advancing towards a more Social Europe. This year’s *Benchmarking* is also an opportunity to take stock of the impact that European integration has had on several traditional territorial and regional disparities between Member States. 2024 marks the 20<sup>th</sup> anniversary of the accession of 10 central and eastern European countries – the largest enlargement of the EU so far. The report in many ways complements the annual ETUI and European Social Observatory (OSE) publication on ‘Social policy in the EU: state of play’.

Given the political significance of this European election year, we have chosen to provide a retrospective assessment of the state of Social Europe over the past two decades, with a special focus on the mandate of the von der Leyen European Commission (2019 – 2024). As Claire Kilpatrick (the guest author of this year’s opening chapter) argues, this period has been an exceptional phase for European integration as it has strengthened the social fundamentals of the EU in many ways. The most important embodiment of this development is undoubtedly the European Pillar of Social Rights (EPSR), unanimously endorsed in 2017 and paving the way for both legislative and policy initiatives. The social aspirations of the EU were also shining through, to some extent, in the handling of several unexpected events such as the Covid-19 pandemic. This not only led to the launch of *NextGenerationEU* (with the Recovery and Resilience Fund at its core) and the SURE mechanism, but also to the temporary loosening of the EU fiscal framework and state aid rules. In the context of the unceasing



Fact-based evidence and analysis to demonstrate that the new impetus for Social Europe has led to important initiatives

threat of climate change, the European Green Deal acknowledged that it was necessary to make the transition 'just and inclusive for all'. These renewed social ambitions stand in considerable contrast with the austerity-driven response to the Great Recession, which has harmed European citizens over the last 10 years, as previous editions of *Benchmarking* have reported on in detail.

There have been three drivers of the 'revival' of Social Europe: the Social Pillar; a novel approach to EU spending and temporary relaxing of the EU fiscal framework; and the commitment of the European Green Deal to just transition. The chapters in this report highlight how essential each of these drivers has been in relaunching the process of a more social European integration, but also the inherent fragility of the project itself, should any of them falter in the years to come. They take stock of current dynamics, suggesting that some of these drivers are already beginning to falter.

The red thread throughout Chapter 1 – which reviews macroeconomic developments – is the (re)balancing of priorities, from enhancing social resilience, cohesion and ensuring a just green transition (which had taken precedence in the early years of this EU political term), to tackling challenges such as public debt sustainability and defence capacity and security, which regained precedence in recent years. In contrast to what happened in the aftermath of the 2008 financial crisis, the fiscal stimulus following the Covid-19 crisis not only temporarily paused the application of the fiscal rules but was also supported by monetary policy tools, the relaxation of EU state aid rules, and EU borrowing to finance an ambitious recovery strategy for the EU. The EU stepped up efforts towards climate neutrality by 2050, with the pledge of 'leaving no one behind'. However, as the war in Ukraine led to an energy price shock, skyrocketing inflation and a cost-of-living crisis, macroeconomic policy expansion was partly reversed from 2022, despite the energy support measures deployed by Member States. More ominously, the newly agreed rules for multilateral fiscal surveillance point to some backtracking among Member States in favour of fiscal sustainability, at the expense of allowing more space for governments to handle common EU priorities such as climate change and social resilience. It would appear that the review of the EU's fiscal rules will turn out to be a missed opportunity for achieving a more meaningful balance between fiscal, green and social objectives.

Chapter 2 provides an overview of the situation in the European labour markets and of various social policy developments in the EU. Against the backdrop of ongoing structural transformations on the labour market – new technologies, the green transition, and the rapidly ageing workforce – employment in Europe is at a high following a successful approach to supporting jobs and workers during the Covid-19 pandemic, aided by necessary spending. The differences between countries and regions across the EU have declined over time. At the same time, job quality remains a challenge – with many workers still subject to problematic contractual arrangements and precarious work under bad conditions. Crucially, many jobs still entail health risks to workers, and there is a growing consciousness of the importance of psychosocial risks related to work. The quality of jobs needs to be monitored thoroughly to make sure that the changing labour market provides decent work opportunities for all. This chapter provides an overview of European efforts in the area of job quality, particularly regarding the growing role for supranational coordination in the





A key question is whether the social paradigm shift which has gradually emerged can be upheld in the face of the expected austerity reload

wake of the EPSR, and where such efforts still fall short in terms of reaching agreements and transposing them. The recent adoption of the Platform Work Directive – which includes key trade union demands about the presumption of employment and the reversal of the burden of proof – demonstrates that the EU can be effective in providing minimum wages, sick pay and other forms of employment protection for its citizens.

We learn from Chapter 3 that safeguarding workers' purchasing power remains a key challenge in the field of wages and collective bargaining. On the one hand, tight labour market conditions marked by low unemployment and persistently high labour shortages have increased trade unions' bargaining power to obtain better wages and working conditions for workers. On the other hand, modest economic growth and continuing geopolitical tensions have had the opposite effect of making it more difficult for trade unions to negotiate wage increases to make up for the loss in purchasing power. The adoption of the Directive on Adequate Minimum Wages in October 2022 marked a turning point. It is the first-ever piece of EU legislation which explicitly aims at establishing an adequate minimum wage floor and at strengthening collective bargaining. But not only this – it is also one of the most significant expressions of the shift in discourse on the EU's social dimension, previously dominated by the neoliberal paradigm of market liberalisation which put existing industrial relations and social systems under pressure. Its positive impact on the development of minimum wages can already be seen in various countries even before its formal transposition into national law, which is due in November 2024. However, the actual 'bite' of the directive will depend on effective transposition by the Member States, which in some cases may be hard-fought, and will require trade union mobilisation.

The authors of Chapter 4 agree that EU policymakers have demonstrated more openness and sensitivity to the social dimension during the past five years, which in turn provides a helpful basis from which to tackle the social impacts of climate change and the green transition. However, for all the positive rhetoric and good intentions, the current patchwork of policies – the Just Transition Mechanism, the Social Climate Fund and the repurposed Recovery and Resilience Facility – is far from the holistic, comprehensive approach that was supposed to be the basic principle of just transition policies. The EU does not have any policy tools (yet) that would provide collective risk coverage for climate and extreme weather-related risks. Most of the transformation still lies ahead: decarbonisation efforts need to be stepped up significantly throughout the coming decades, and the EU needs to significantly speed up the green transformation, not only in order to meet its climate policy targets but also to preserve European competence in key sectors. On the other hand, keeping ambitions high will also intensify the social effects of this transformation. In addition, the EU is not immune to the climate-induced push factor of migration, which operates within Europe as well as from further away, with implications for its internal and external policies. The recent €7.4 billion economic deal with Egypt – geared at curbing irregular migration from the North African country – demonstrates the EU's 'externalisation strategy', which has faced sharp criticism from the ETUC for the huge risks it entails to human rights, which need to be part of the agreement. All this demonstrates that Europe not only needs to strengthen its 'European Social Model' but also needs to reshape it as an 'Eco-Social Model'.

Chapter 5 shows that EU social policy has reached a crossroads in terms of worker participation. While the overall narrative and some recent developments have helped to anchor EU worker participation rights at different levels, various challenges remain and will require specific responses in the coming EU legislative period. Persistent differences in the exercise of worker participation rights between the 'old' Member States and the relatively 'new' ones from central and eastern Europe remain a challenge, despite upward convergence and the political momentum gained in recent years. The last chapter of *Benchmarking* shows how the recent advancement in EU policy has affected worker participation at the company level in various and ambiguous ways. The authors explain why worker rights should be extended and strengthened if Europe is to build a sustainable, innovative and democratic economy and society amid global competition and overlapping crises. The effective exercise of democracy at work by involving workers in strategic decision-making helps to protect workplace rights, quality jobs and working conditions, thereby ensuring companies' sustainability as well as reinforcing the basis of democratic society. In this sense, the strengthening of information and consultation, and the participation rights of worker representatives and trade unions across Europe, should remain a top priority. The evidence and expertise contributed by the ETUI and ETUC to facilitate the ongoing negotiations on the revision of the 2009 European Works Council Directive rightly stress that the effective and enforceable exercise of information and consultation rights of workers is central to making a successful transition to a green and digital economy for both workers and (multinational) companies.

*Benchmarking* uses fact-based evidence and analysis to demonstrate that the new impetus for Social Europe which we have witnessed over the past five years has led to important and long-awaited policy initiatives. However, progress in this field remains *fragile*. A key question is whether the social paradigm shift which has gradually emerged over the past five years can be upheld in the face of the expected austerity reload and in a context of continued 'polycrises', including a protracted and unpredictable war of aggression by Russia against Ukraine, on Europe's doorstep, and a war in the Middle East leading to a humanitarian crisis in the Gaza Strip. Progress has also been *fragmented*, and its fruits therefore unevenly distributed: the unequal development between 'old' and relatively 'new' Member States has been highlighted in this publication. But 'unequal Europe' has many faces, all of which will remain at the heart of ETUC actions and ETUI research. While we are experiencing a certain degree of momentum to Social Europe, it is still lacking solid foundations: the 'Cinderella status' of the EU's social dynamics, when compared to economic integration, makes social progress inherently difficult. Inadequate social regulation and infrastructure drives anti-system politics, undermining social cohesion and benefiting the far right.

The recent political agreement on a new Corporate Sustainability Due Diligence Directive (CSDDD), as well as on the regulation prohibiting products made with forced labour on the Union market, again demonstrates the importance of trade unions' know-how and advocacy to inform ground-breaking EU legislation. The Due Diligence Directive sets obligations for companies to prevent and mitigate the negative impact of their operations on human rights and on the



Progress has also  
been *fragmented* and  
its fruits therefore  
unevenly distributed

environment. A final agreement on the Directive is within reach before the end of the European Parliament's current mandate.

We hope that you will enjoy reading this year's edition of *Benchmarking Working Europe*, which aims to be, once again, a source of inspiration for trade unionists, social stakeholders, researchers and policymakers.

# Momentum and fragility in Social Europe's renewal



Claire  
Kilpatrick

Cite this chapter: Kilpatrick C. (2024) Momentum and fragility in Social Europe's renewal, in Piasna A. and Theodoropoulou S. (eds.) (2024) Benchmarking Working Europe 2024, ETUI and ETUC.

# Topics

The Social Pillar and EU legislation	16
EU funding	17
The socio-economic governance framework	21
Sources of momentum and fragility in the new Social Europe	22



Although there is a justified perception of a renewed Social Europe, a deeper analysis leads to more nuanced conclusions

**Claire Kilpatrick**

As we approach the 2024 European Parliament elections, to be followed by the renewal of the other key EU institutions, it is useful to offer a retrospective assessment of the state of Social Europe, benchmarking (as this publication does) its development during the 2019-2024 period. This was, it should be noted from the outset, in many ways an exceptional phase for European integration, characterised by growing social aspirations and ambitions – best embodied by the numerous instruments and policies delivering on the European Pillar of Social Rights (EPSR or Social Pillar) – but also by unexpected and even dramatic events, first and foremost the Covid-19 pandemic, a war on Europe's doorstep following Russia's invasion of Ukraine, an economic and financial crisis and a 'cost of living' crisis, unfolding in parallel with the climate crisis. These growing social aspirations were even more striking and noteworthy when contrasted with the previous, austerity-driven, phase of European integration. In fact, they could, in many ways, be seen as an implicit acknowledgement of the adverse consequences of that phase on the overall political sustainability of the integration process itself.

This assessment elaborates and reflects on three key governance channels that have fostered and shaped this – in many ways unexpected – significant and broad-based flourishing of Social Europe: legislation linked to the Social Pillar, EU funding and EU socio-economic governance. The latter two channels also have important Social Pillar components, making the Pillar a significant integrating element to promote Social Europe across all three channels.

The first channel is the numerous legislative and policy initiatives linked to the 2017 EPSR, a substantial 'progeny' of instruments characterised by both breadth and depth in terms of their social progress aspirations. In many ways, this wave of new legislative activity has taken the EU into new Social Europe terrain (Kilpatrick 2023).

The second channel is EU funding. This is strongly linked to the novel approach to EU spending embodied by 'NextGenerationEU', an initiative worth (in 2018 prices) 750 billion euros (primarily in grants and loans for the 2021-2024 period) that nearly doubled the resources allocated to the 2021-2027 Multiannual Financial Framework (just over 1 trillion euros).

The third channel is EU socio-economic governance. This is perhaps less obvious but no less important, pertaining to the sudden loosening of the EU fiscal framework and, more gradually, of the overall public expenditure rules, at the outset of the Covid-19 pandemic. This is best exemplified by the decision – in March 2020 – to activate the 'general escape clause' of the Stability and Growth Pact.<sup>1</sup> The pandemic, followed by the Russian war on Ukraine, have led to the escape clause's application being extended until the end of 2023. An additional important element is the emergence, in the Juncker and von der Leyen Commissions, of more 'social' macro-economic coordination, leading to a notable change in the European Semester. This more social Semester has also been used to guide EU funding.

Action within all three governance channels has revived what, until 2015, appeared to be an underdeveloped social project, characterised by a faltering labour regulation agenda, macroeconomic and fiscal austerity, and a regulatory and policy framework designed to discourage any significant role of the state in the economy and society at large. In fact, it could be argued that, without these three channels operating over the same period, Social Europe would not have been able to respawn, even tentatively, from the ashes of the 'austerity' decade. For example, the prospect of adequate minimum wages and of a relaunch of collective bargaining processes across the EU, clearly envisaged in Articles 4 and 5 of the Adequate Minimum Wages Directive (2022/2041/EU), would have been no more than illusory had the EU retained its hostility towards centralised collective bargaining

---

1. As set out in Articles 5(1), 6(3), 9(1) and 10(3) of Regulation (EC) 1466/97 and Articles 3(5) and 5(2) of Regulation (EC) 1467/97, pertaining to the 'preventive' and the 'corrective' procedures of the Pact.

and wage-setting mechanisms best embodied by the EU's Country Specific Recommendations and Memorandum of Understanding (MoU) prescriptions for much of the decade between 2008 and 2018.<sup>2</sup>

Social Europe has accordingly departed from its previous austere direction along all three governance channels. This year's *Benchmarking Working Europe* proposes to assess the interaction between these three channels in renewing and, in many ways, reshaping the EU's 'social profile', after a long phase of social stagnation associated with 'austerity' policies. This guest editorial first highlights and reflects upon the key developments and features of each of the three channels: EPSR legislation and soft law, EU funding and EMU. It highlights the important cross-channel role of the Social Pillar in shaping legislation, funding and macro-economic coordination. The European Semester has also played a role in integrating social governance. Although there is a justified perception of a renewed Social Europe, a deeper analysis leads to more nuanced conclusions depending on the channel under consideration. An area of tension is identified within the EMU channel between the restoration and enforcement of fiscal rules and the development of social infrastructure, rights and protections.

Secondly, this analysis provides some elements and examples for assessing how robust or fragile given Social Europe developments are. As the 2022 Adequate Minimum Wages Directive is the most powerful, game-changing development for Social Europe, not just during this period, but for EU Social Europe *tout court*, this will be a special focus throughout my analysis, allowing us to (a) grasp the new Social Europe ground it breaks; (b) assess its support through EU funding and EMU; and (c) consider the remaining challenges its full development presents.

## The Social Pillar and EU legislation

Launched by Commission President Juncker in 2015, and solemnly declared by the EU institutions in Gothenburg in 2017, the EPSR is best seen as an unfolding process and reference

2. See <https://www.etui.org/sites/default/files/14%20FINAL%20Background%20CSRs%202014%2001%20Stef%20Clauw%20Web%20version.pdf>. One statistic that encapsulates the sovereign debt dismantling of collective bargaining: collective bargaining coverage in Greece went from 100% in 2011 to 14.2% in 2017 (OECD and AIAS 2021).

point for Social Europe legislative and soft-law initiatives for two reasons. On the one hand, it was further renewed and reconsecrated during the von der Leyen Commission, especially at the Porto Social Summit in May 2021. This launched the 2021 European Pillar of Social Rights Action Plan, itself built on a year of consultations. The Action Plan indicates the need to update the 'social rulebook' to address climate change and environmental, digital, demographic and globalisation challenges in addition to Covid-19, stating that, 'The 20 principles of the European Pillar of Social Rights are the beacon guiding us towards a strong Social Europe and set the vision for our new "social rulebook"'. The Social Pillar was further 'consecrated' at the Porto Social Summit with the adoption of the Porto Declaration by the Heads of State or Government and the Porto Social Commitment by the Commission, Parliament, social partners and civil society.

On the other hand, this ongoing commitment is crucial because the Social Pillar is a rights document itself containing no legally enforceable rights but rather 20 principles arranged in three thematic chapters: equal opportunities and access to the labour market; fair working conditions; and social protection and inclusion. For example, principle 12 entitled 'Social protection' is formulated as follows: 'Regardless of the type and duration of their employment relationship, workers, and, under comparable conditions, the self-employed, have the right to adequate social protection.' This makes its links to other binding rights sources, in international human rights, EU and national law, and continuing EU political commitment, crucial. Notwithstanding its soft-law status, the Social Pillar period is shaping up to be the most intense and wide-ranging of Social Europe law-making in the EU's history (Kilpatrick 2023). This new wave of legislation is notable in its quantity, its politics and its substance.

Focusing specifically on 2019-2024, we can point to the Transparent and Predictable Working Conditions Directive 2019/1152/EU; the Work-Life Balance Directive 2019/1158/EU; the Adequate Minimum Wages Directive 2022/2041/EU; the Women on Corporate Boards Directive 2022/2381/EU; the Pay Transparency Directive 2023/970/EU; and several Occupational Safety and Health (OSH) directives, in addition to the important Competition Law Guidelines for the Self-Employed of September 2022. Intense discussions surround further significant legislative proposals currently inside the legislative process: the proposed directives on Platform Work (COM/2021/762 final), on Corporate Due Diligence (COM/2022/71 final) and on Equality Bodies (COM/2022/689

final); the work- and social-related dimensions of the Artificial Intelligence Act (COM/2021/206 final), and the proposed Regulation prohibiting products made with forced labour (COM/2022/453 final).

Soft-law measures that may lay the foundations for future legislation include the Council Recommendation of 8 November 2019 on access to social protection for workers and the self-employed (2019/C 387/01), the Council Recommendation of 30 January 2023 on adequate minimum income ensuring active inclusion (2023/C 41/01) and the Council Recommendation of 16 June 2022 on ensuring a fair transition towards climate neutrality (2022/C 243/04). The remarkable opening of the EU legislature – the Commission as initiator, Parliament and Council – can be seen not just through this quantitative dimension but also in a new political alignment allowing the successful passage of extensive Social Europe legislation. This has allowed the revival and successful passage of legislative proposals kept on ice for a decade such as the Women on Corporate Boards Directive. Several others are notable in breaking new EU ground in their subject matter and range: promoting domestic collective bargaining in the case of the Adequate Minimum Wages and Pay Transparency Directives, grasping the nettle of the digital transition and engaging with labour standards as human rights in new ways.

The Adequate Minimum Wages Directive (2022/2041/EU) is a stand-out development. It breaks new ground in EU law in several ways, including the adoption of the first-ever binding commitments to: (a) the adequacy of minimum wages; (b) combatting abusive wage deductions; (c) the promotion of collective bargaining; and (d) the protection of trade unions, their representatives and members. In terms of statutory minimum wages, the Directive operates by establishing criteria that Member States must use to evaluate their adequacy, and procedures to establish, monitor and regularly update their level, with longer time frames for assessing adequacy for those states operating an automatic indexation mechanism. It is carefully designed to safeguard industrial relations systems that set minimum wages through collective bargaining rather than through legislation. The Directive also places limits on acceptable variations in the minimum wage as well as deductions. By conditioning deductions to the criteria of non-discrimination

and proportionality, as well as explicitly stating that deductions for equipment necessary to do a job or for accommodation are at high risk of being disproportionate, the Directive addresses head-on a recent resurgence of abusive wage deduction practices. The Directive identifies, for the first time, the erosion of collective bargaining coverage, particularly with the rise of non-standard and precarious forms of work, as an EU problem to be addressed legislatively. It sets a target for collective bargaining coverage, increased to 80% in the Directive from 70% in the original proposal, to be addressed particularly by promoting sectoral and cross-industry bargaining via an action plan with a clear timeline and specific measures. The Directive reinforces protection for collective representation in several other ways. It embeds it in relevant external human rights sources – several ILO conventions beyond the core Conventions No. 87 and No. 98, the European Convention of Human Rights and the European Social Charter – as well as internally referencing the EU Charter of Fundamental Rights. It gives the social partners a full role in the governance of the setting, updating, reviewing and enforcing of statutory minimum wages. Finally, the role of trade unions and trade union representatives in worker representation is explicitly identified and protected. Hence workers, trade unions, their members and representatives should be protected against interference or acts of discrimination for participating in – or wishing to participate in – and enforcing collective bargaining on wage setting.

## EU funding

The pandemic rebooted EU funding in several ways of interest for Social Europe. The European instrument for temporary Support to mitigate Unemployment Risks in an Emergency (SURE) allocated 100 billion euros in cheap loans to support Member States' short-time working schemes between late 2020 and the end of 2022.<sup>3</sup> From 2021, NextGenerationEU (NGEU) and the EU budget for 2021-2027 supercharged cohesion policy funding, tripling the normal funding allocation from the budget alone.<sup>4</sup> Both the main funding instrument of NGEU, the

3. Council Regulation 2020/672 of 19 May 2020 on the establishment of a European instrument for temporary support to mitigate unemployment risks in an emergency (SURE) following the Covid-19 outbreak.

4. 'Cohesion, resilience and values' receives 426.7 billion euros from the EU budget and 776.5 billion euros from NGEU giving a total funding envelope of 1,203.2 billion euros.



The Adequate Minimum Wages Directive is a stand-out development





The pandemic rebooted EU funding in several ways that are of interest for Social Europe

Recovery and Resilience Facility (RRF),<sup>5</sup> and the main social component of the 2021-2027 budget, the European Social Fund+, tie their spending to relevant European Semester country-specific recommendations (CSRs) and the European Pillar of Social Rights.<sup>6</sup> Hence, there is an inbuilt wider governance dimension to the design of EU funding.

The RRF has been a central focus and regenerator of Social Europe discussions. Why that has been the case requires some unpacking. The RRF does not foreground Social Europe. Rather the green and digital transitions are RRF priorities, as shown by its minimum required funding percentage to be dedicated to these two issues: 37% to the green and 20% to the digital transition. Nonetheless, albeit in a broader and more residual way, what is not spent on the green and digital transitions is to be spent on the other four pillars which have substantial employment and social components.<sup>7</sup> And, of course, the digital and green transitions themselves can have social components (Sabato and Theodoropoulou 2022). In addition, the roll-out of the RRF has been accompanied by a Commission methodology for social expenditure, and, as noted above, the RRF requires national plans to consider the Social Pillar and relevant European Semester CSRs.

It is also the case that the recipients of RRF funding track the biggest losers from the sovereign debt crisis period.<sup>8</sup> Hence, rather than Covid-19 impacts being a driver of funding allocation, as Armingeon et al. (2022) have effectively traced, the states which suffered during the sovereign debt period obtained the greatest RRF allocations. In this sense, the largest funding facility of NGEU represents EU reparations for its sovereign debt management.

In several ways, the RRF appears to be the obverse of the sovereign debt loans. Rather than unattractive loans with regressive social conditions and fiscal consolidation, set top-down, heavily policed and mainly funded by agreements made outside the EU legal order, the RRF offers EU grants as well as low-cost loans,<sup>9</sup> with pre-financing.<sup>10</sup> In place of top-down conditions for payments to be released, states develop their own plans to fit within the six pillars identified for the RRF and identify themselves the milestones and targets to measure their achievement with these plans, milestones and targets being evaluated by the Commission.

Yet this claim requires some fine-tuning regarding Social Europe. Overall, this is an agenda more focused on social policy and social infrastructure than on progressive labour law and industrial relations where it is more muted and ambiguous.

5. Regulation 2021/241 of 12 February 2021 of the European Parliament and of the Council establishing the Recovery and Resilience Facility. The NGEU comprises seven distinct sub-programmes (RRF, ReactEU, Just Transition Fund, EAFRD, rescEU, Horizon Europe, InvestEU). The RRF amounts to 672.5 billion euros (360 billion euros in loans and 312.4 billion euros in grants) out of the overall package of 750 billion euros (2018 prices) (although not all loans may be requested, making the overall sum smaller).
6. RRF Regulation Article 18(4). For the ESF+ see recitals 1 and 2 and Articles 1 and 7(1) and (2) of the ESF+ Regulation (Regulation 2021/1057 of the European Parliament and of the Council of 24 June 2021).
7. (3) smart, sustainable and inclusive growth, including economic cohesion, jobs, productivity, competitiveness, research, development and innovation, and a well-functioning internal market with strong SMEs; (4) Social and territorial cohesion; (5) health and economic, social and institutional resilience, with the aim of, inter alia, increasing crisis preparedness and crisis response capacity; and (6) policies for the next generation, children and the youth, such as education and skills: see Article 3 RRF Reg ('Scope'). See also the Commission's interpretation of these four pillars in SWD(2021) 12 final – Guidance to Member States Recovery and Resilience Plans Part 1, defining a social core for all of them.

8. See the distribution of Recovery and Resilience Facility (RRF) per Member State: Recovery and Resilience Scoreboard (europa.eu) The RRF allocations as share of GDP are Greece (16%), Romania (12%), Croatia (11%), Italy (10%), Bulgaria (9%), Portugal (8%); as opposed to Luxembourg (0.1%), Ireland (0.2%), Denmark (0.4%), Netherlands (0.5%), Sweden (0.6%) or Germany (0.7%). Of special interest in relation to Rule of Law are Poland (6.16%) and Hungary (3.77%).
9. Just under half in grants and just over half in loans.
10. RRF Preamble (46) and Articles 12 and 13: To ensure that the financial support is frontloaded in the initial years after the Covid-19 crisis, and to ensure compatibility with the available funding for the Facility, the funds should be made available until 31 December 2023. To that end, it should be possible for 70% of the amount available for non-repayable financial support to be legally committed by 31 December 2022 and 30% between 1 January 2023 and 31 December 2023. By 31 December 2021, upon request of a Member State to be submitted together with the recovery and resilience plan, an amount of up to 13% of the financial contribution and, where applicable, of up to 13% of the loan of the Member State concerned can be paid in the form of a pre-financing within, to the extent possible, two months after the adoption by the Commission of the legal commitments.

In this sense, it is certainly not aiming at ‘reversing’ the MoU labour prescriptions of the sovereign debt crisis. Pillar 3 of the RRF concerns smart, sustainable and inclusive growth. It is poised between economic orthodoxy and concerns for social fairness. Hence it calls on states to act towards ‘fostering competitiveness, productivity and macro-economic stability’ and strong policy support for shifting from ‘employment preservation to job creation and supporting job transition ... to ease and accelerate structural change’ while also asking states to explain how their plans are coherent with implementation of the European Pillar of Social Rights. Pillar 4 of the RRF focuses on addressing geographical and group-based disparities. Its Pillar 5 focuses on strengthening health systems as well as critical supply chains and infrastructure and improved resilience in employment and social policies. Pillar 6, entitled Policies for the Next Generation, focuses on early childhood support, skills across the life course and intergenerational fairness. While these four pillars, which could constitute a maximum of 43% of RRF funding (after the minimum green 37% and digital 20% are taken into account), undoubtedly open the door to significant social policy funding, they also leave significant space for spending on other unrelated issues. It is quite an open menu, more focused on social policy than labour policy and with many nods to other types of spending.

All of this means that comparative analysis of the National Recovery and Resilience Plans (NRRPs) is essential to understand how the RRF is shaping Social Europe. Country analyses (Menegatti and Rainone 2022) show wide variation with some, albeit not most, using the NRRP to introduce significant labour reforms. For example, Spain has reversed some features of a euro-crisis 2012 labour market reform that weakened collective bargaining, including reestablishing the priority of sectoral over company-level bargaining. It addressed high youth unemployment by introducing a law making fixed-term contracts the exception rather than the rule (Aranguiz 2022). The Romanian RRP has an interesting intersection with the Adequate Minimum Wages Directive and Adequate Minimum Income Recommendation. It responds to European Semester CSRs by committing to a new social dialogue law in line with recent ILO recommendations, a better designed minimum wage aligned with the Adequate Minimum Wages Directive (2022/2041/EU) as well as vouchers to formalise domestic work and measures relating to a minimum inclusion income (Dimitriu 2022). Other states with substantial funding, such as Italy, have focused mainly on active labour market policy (ALMP) measures, education, childcare

and improvement of vulnerable territories by investing in social housing and services (Ales 2022). Many states with small allocations have spent almost everything on the green and digital transitions.

It is also important, though rarer in the EU literature to date, to focus on other NGEU funding instruments. Smaller in scale, but still highly significant, these contribute to Social Europe in distinctive ways. A good example is REACT-EU which is the NGEU follow-up to SURE and the first pandemic cohesion packages of 2020 (the Coronavirus Response Investment Initiative and the Coronavirus Response Investment Initiative Plus). Allocated 50.6 billion euros to spend before the end of 2023, under a continuation and top-up of the 2014-2020 budget, it combines spending mainly through the European Regional Development Fund and the European Social Fund. The latter includes the continued support of short time working schemes to which the SURE programme allocated 100 billion euros in cheap loans between late 2020 and the end of 2022. While channelled through budgetary instruments, unlike normal budgetary spending, no co-financing from states is required, there is a heavy pre-financing dimension and normal regional categories and conditionalities are not applied.

Above all, the budget, especially ESF+ should be mainstreamed in Social Europe analyses. The ESF – repackaged as ESF+ in the 2021-2027 budget – falls under the second heading on Cohesion, Resilience and Values.<sup>11</sup> The ESF+ comes from merging existing programmes: the ESF, the Youth Employment Initiative; the Fund for European Aid to the Most Deprived and the Employment and Social Innovation Programme.<sup>12</sup> It takes up just under 88 billion euros (in 2018 prices) over the budget period, representing just under 10% of the total budget, almost all under shared (rather than direct Commission) management.

The NGEU and the ESF+ can usefully be compared in their construction and shaping of the new Social Europe of the 2020s. Apart from their different time frames, legal organisation and funding structure, it is important also to consider

11. The other headings are (1) Single Market, Innovation and Digital; (3) Natural Resources and Environment; (4) Migration and Border Management; (5) Security and Defence; (6) Neighbourhood and the World; (7) European Public Administration.

12. Regulation (EU) 2021/1057 of the European Parliament and of the Council of 24 June 2021 establishing the European Social Fund Plus (ESF+) and repealing Regulation (EU) No 1296/2013 OJ L 231, 30.6.2021, p. 21–59.



Funding conditionality could play a role in safeguarding and enhancing the social partners, civil society and Social Europe

whether NGEU and ESF+ approach Social Europe in different ways. Viewed in terms of their EU design, the RRF has a significant focus on health, whilst this is a minor feature of ESF+ that is focused only on access by the most vulnerable to healthcare. ESF+ has a very strong focus on poverty and social inclusion, with a special focus on the materially deprived and children in poverty, which is not present in the RRF. Funding to promote social inclusion must be at least 25% of the total ESF+ budget, while at least 4% must be spent on material deprivation and at least 12% on young people not in education, employment or training (NEETs) where the NEET rate is above the EU average. Both focus on skills and training, especially for young people. Both also pay significant attention to gender equality and its links to childcare as well as equal access to work and social benefits for groups protected against status discrimination in EU law. Neither has a strong focus on fair working conditions, industrial relations infrastructure or capacity-building. Of the 13 specific objectives pursued by ESF+, only one relates to working conditions, and it concerns the adaptation of the working environment towards health risks with a view to promoting active and healthy ageing.<sup>13</sup>

However, the potential of two distinct features of EU funding to support the social partners, civil society and Social Europe goals should be highlighted. The first is through the partnership principle underpinning the ESF. This requires ensuring the meaningful participation of social partners and civil society and is bolstered by requiring states with a relevant CSR recommending capacity-building to allocate at least 0.25% of ESF+ funding to this goal.<sup>14</sup>

The second is the role funding conditionality could play in safeguarding and enhancing the social partners, civil society and Social Europe. The European Structural and Investment Funds

13. Article 4 Regulation 2021/1057. The other objectives are: access to employment and activation for job-seekers; improved employment services; lifelong learning; gender-balanced labour market participation; active inclusion and employability, especially for disadvantaged groups; socio-economic integration of TCNs including migrants; socio-economic integration of marginalised communities, such as Roma people; modernised access to social services including housing, health and care and social protection with a special focus on the disadvantaged; social integration of people AROPE including the most deprived women and children; addressing material deprivation through food and/or basic material assistance.

14. Article 9 ESF+ Regulation.

(ESIF), including the ESF+, contain conditionalities which can be used to suspend or stop payments to states which do not respect them. The RRF milestones have been developed by the Commission to operate similarly. A Conditionality Regulation, applying to all funds, was agreed as part of the NGEU and budget package in December 2020.<sup>15</sup> Conditionality, often based on non-respect of specific provisions of the EU Charter of Fundamental Rights (EUCFR),<sup>16</sup> has been used to substantially delay and block payments to Poland (RRF only) and Hungary (RRF, ESIF and Conditionality Regulation) due to Rule of Law concerns. Those concerns are also increasingly expressed in European Semester CSRs which show how free and effective social partners, collective bargaining and civil society are a core component of liberal democratic states.<sup>17</sup> The potential is there to link to EUCFR conditionality using, for example, Article 28. Civil society, especially human rights NGOs, have to date played a key role in activating and policing Rule of Law conditionality action by the Commission. Hence, for example, the CSRs for Hungary for 2023 note that:

‘Social dialogue remains among the weakest in the EU and further deteriorated recently. The main tripartite body serves mainly as an information-sharing forum for the government and it has no formal legal framework, with no meaningful dialogue except for minimum wage setting. While the shortage of teachers is an increasing challenge, new legal provisions have curbed the rights of teachers to collective action and widened employers’ possibility to

15. Regulation (EU, Euratom) 2020/2092 of the European Parliament and of the Council of 16 December 2020 on a general regime of conditionality for the protection of the Union budget (OJ L 4331, 22.12.2020, 1-10).

16. EUCFR respect is a horizontal enabling condition across the ESI funds including the ESF+: see Article 15 and Annex III of Regulation (EU) 2021/1060 of the European Parliament and of the Council of 24 June 2021 laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, the Just Transition Fund and the European Maritime, Fisheries and Aquaculture Fund and financial rules for those and for the Asylum, Migration and Integration Fund, the Internal Security Fund and the Instrument for Financial Support for Border Management and Visa Policy (OJ L 231, 30.6.2021, 159-706).

17. See e.g. Poland’s 2022 CSR (5): Enhance the investment climate, in particular by safeguarding judicial independence. Ensure effective public consultations and involvement of social partners in the policy-making process.

retroactively dismiss teachers participating in civil disobedience to protest labour conditions. Recent reforms, introduced without meaningful dialogue with the relevant unions, negatively affected working conditions and weakened self-representation for healthcare workers.’

Although Social Europe is not dominant within the broader EU budget and funding scholarship, it has always been present, and there is a growing recent literature on its social component and social impact with a special focus on poverty and social inclusion (Graziano and Polverari 2020; Griess, Hermans and Cantillon 2023). This is an important channel for further policy and academic attention. Richard Crowe (forthcoming 2024) makes the powerful claim that spending lines today provide a more reliable guide to developing centres of EU activity than legislative competences. This points to much more careful attention being paid to EU funding within and beyond the budget.

## The socio-economic governance framework

Understanding the economic governance framework during this period requires grappling with the complex relationship between a much heftier, sanctions-rich economic governance rulebook and its – in significant ways minimal – application and enforcement in practice. At the apex of the rulebook sits the EU Treaty framework with its famous limits on debt at 60% of GDP and deficit at 3% GDP and requirements for macroeconomic coordination. Amplifying and specifying this framework is the Stability and Growth Pact, a cluster of instruments introduced in 1997 and subsequently revised in 2005 and 2011. Its most important components are Regulation 1466/97 on Preventive Fiscal Discipline and Regulation 1467/97 on the Excessive Deficit Procedure. This economic governance rulebook was substantially overhauled, beefed up and elaborated during the sovereign debt period. Macroeconomic coordination was renamed and reorganised as the European Semester. Fiscal governance was overhauled in the six-pack legislative measures of 2011 and the two-pack regulations of 2013 to strengthen budgetary management and surveillance, introduce a macroeconomic imbalance procedure, and speed up and extend the remit of the excessive deficit procedure.

Yet, the practical application of this strengthened and more automatically enforced orthodox fiscal and macroeconomic rulebook during this period was significantly different from the rulebook itself in both its socio-economic content and in

its application and enforcement.<sup>18</sup> The general escape clause of the Stability and Growth Pact (SGP) was activated from March 2020 and will be deactivated only at the end of 2023. The country-specific recommendations under the European Semester undoubtedly became more social (Rainone 2022). The CSRs, as evident in our analysis of EU funding, also became linked to substantial EU funds through NGEU and the budget, giving them a substantially stronger compliance potential than their recommendatory status would suggest. Nonetheless, the CSRs remain a varying mix of socially oriented content and exhortations to macroeconomic stability and supply-side reforms. EU funding, with the most emblematic example being the provision of 100 billion euros of cheap loans under SURE for states to give income support to those unable to work normally due to the pandemic, represented a notable shift in macroeconomic orientation but, like its successor NGEU, was temporary.

Hence, the rules-based economic governance framework, especially its fiscal rules, is always present, but, at the same time, it is subject to suspension and/or its stated sanctions are ultimately never formally applied. From the introduction of the Stability and Growth Pact in 1997, through its various iterations, despite the many excessive deficits, excessive debts and macroeconomic imbalances, the sanctions that ‘shall’ be applied never have been. However, even if the sanctions that ‘shall’ be applied, strictly speaking, never have been, they still had significant practical effects on domestic policy-making.

The messages coming from the economic governance rulebook really matter even if they do not straightforwardly dictate choices of Member States. Like the messages of the international financial institutions, they provide a view of the right and wrong ways to run national economies and welfare states. The economic governance rulebook, while unlikely to result in the formal application of sanctions, is more likely than before to produce opinions and views, from national independent fiscal bodies and EU institutions, that contest diverging macroeconomic and

---

18. The sovereign debt decade (2008-2018) was different in two ways. Sovereign debt states were, in several important ways, subject to a different set of rules set by the loan conditions. The 2010-2015 period (the second Barroso Commission) was one in which macroeconomic coordination reflected economic orthodoxy recommending fiscal consolidation, including welfare state cuts and labour market deregulation. From 2015, change slowly began to happen (Kilpatrick 2018).

budgetary positions of national governments. This has effects on political and public debates as well as sometimes on policy outcomes. The salience of EU national budget discussions for government bond markets in vulnerable states is particularly noteworthy. Lastly, the economic governance rulebook can have a chilling effect on large-scale public investments and interventions at EU and national level. Too much prudence can be as foolhardy as too little for future-oriented economic governance. Even when larger public investments have been made, as they have been in response to the pandemic, the economic governance rulebook is one reason why they are framed as temporary departures from the status quo.

The lessons to be drawn from this for any reform of the economic governance rules are that such reforms should be based on what actually happened rather than the rulebook: *govern as you do, not as you said you would do*.<sup>19</sup> The rulebook should align more closely with the lived experience of their application and use, rather than treating the lived experience as an exceptional period during which the normal rules and sanctions were not applied. The lived experience of Covid-19, recovery from the sovereign debt period, the multiple new demands arising from the Russian invasion of Ukraine, as well as urgent needs for public investment to meet the green and digital transitions, led to the suspension of the Stability and Growth Pact, a loosening of state aid rules, cheap EU loans to subsidise employment support schemes and a massive injection of EU grants and loans, mainly targeted at green and digital investments, to those Member States most negatively affected by the sovereign debt period. Reform of the rules should take their cue from that experience rather than largely proposing to restore and strengthen the status quo ante. Yet the current legislative reform proposals of April 2023<sup>20</sup> propose largely to restore the rulebook and make it more effective through greater national ownership and, while

allowing Member States to request a longer debt adjustment path for timebound heavily evidenced reforms and investments, aims (once again) to make the original Maastricht rulebook work better. This seems likely to perpetuate the gap between the rules and their application but risks insufficient public spending and investment on European public goods.

## Sources of momentum and fragility in the new Social Europe

An important source of momentum is that the costs of inadequate social regulation and infrastructure have become painfully apparent and tangible within European society. Unless social structures and protections are shored up by a new politics, the price of a radically diminished and legally constrained social infrastructure in quite a few Member States is paid in more of the population being poorer, sicker and less educated, living in inadequate accommodation and working in poor conditions. This, in turn, drives what Hopkin (2019) has called anti-system politics, benefitting the far and radical right, and illiberal regimes, but also leading to more social responses by centrist parties.

Hence, the social is crucial in bolstering democratic life in European states, not just by providing outcomes of social safety but also in building social networks providing connection, support and voice. Not only are there elements of well-organised and active civil society and trade unions to which people are turning in greater numbers as they navigate precarious lives,<sup>21</sup> further expanding their role and coverage is necessary to lend a voice, support, legitimacy and substance to difficult societal transitions, including the content of new legislation and spending. This seems particularly resonant in the context of the monumental shifts required in the work performed across the primary, industrial

19. By this, I mean (a) the envisaged sanctions under the SGP have never formally been applied; (b) from 2020, the SGP escape clause was activated; (c) the 'socialisation' of the European Semester (see Zeitlin and Vanhercke 2017), especially during the period under review, belies in particular the overhaul of the economic governance framework in the two-pack and six-pack legislative packages of 2011 and 2013 which reinforced economic orthodoxy.

20. [https://economy-finance.ec.europa.eu/publications/new-economic-governance-rules-fit-future\\_en](https://economy-finance.ec.europa.eu/publications/new-economic-governance-rules-fit-future_en) (reform of both SGP regulations and a reform of Directive 2011/85/EU on national budgetary frameworks).

21. See, emblematically, in the light of austerity, Covid-19, the invasion of Ukraine and the cost-of-living crisis, the European Food Banks Federation (FEBA). Present from the 1980s in France, it relaunched in Brussels in 2018 to effectively participate in EU policy debates and support its network of food banks in over 30 European states. Its most recent EU Working Group report (2022) focuses, for example, on the EU funding instrument FEAD launched in 2014 to provide food to the most deprived in Europe and explores its amendments and increased funding to address Covid-19 and the refugee and cost-of-living consequences of the Russian war on Ukraine.

and services sectors to meet the challenges of climate change, biodiversity and environmental restoration.

While trade union density has continued its downward trajectory over the past two decades in many OECD states, there are very recent signs of an uplift and revival in organisation by those people who rely on working for a living. These include not just the macro figures of trade union density<sup>22</sup> but also new shoots in smaller-scale grassroots platform worker organisation as well as an increase in self-employed organisation and representation. While sometimes, at least initially (Vandaele and Piasna 2023) outside traditional union structures (Trappman et al. 2020), these new shoots offer opportunities for building relationships and alliances, or even integration, with traditional unions who are thinking creatively about representing these new sectors. There are signs that worker organisation is becoming an aspiration again for a younger and more diverse group of individuals who are dependent on work for income.

Key sources of fragility include enduring EU competence and legal constraints around the making of social legislation and sufficient EU fiscal capacity; national objections and challenges based on the diversity of labour relations and welfare systems; the speed and magnitude of changes needed to keep pace with digital and green challenges; and effective lobbying against change by businesses. Other sources of fragility are that the new Social Europe, although it has some elements of integration and connection, more often consists of different strands being developed in various locations with different amounts of sustenance. Hence domestic collective bargaining is being promoted much more fully at EU level than ever before, and even EU social dialogue is being rediscovered with a promise at the State of the European Union 2023 speech by President von der Leyen to 'go back' to Val Duchesse for a Social Partner Summit to be held under the Belgian Presidency in 2024. This

22. <https://stats.oecd.org/Index.aspx?DataSetCode=TUD> (from 2024, this will migrate to the OECD Data Explorer). This dataset shows an OECD-wide continuous decline in trade union density, year-on-year from 2000 to 2019 from 20.9% on average across the OECD in 2000 to 15.8% on average in 2019. However, especially from 2019, although data are currently available for only a limited number of states, density has increased. For example, Ireland's trade union density had fallen every year between 2000 and 2018, from 35.9 to 24.1%, but it went up to 25.1% in 2019 and 26.2% in 2020. Increases are also recorded in 2019 and/or 2020 in the UK, US, Canada and Mexico.

promotion, however, could be much more fully developed in the context of EU funding.

Meanwhile, poverty and material deprivation, while embedded much more fully than before in the EU budget, especially through ESF+, have received limited and inconstant EU institutional support in terms of political commitments for new legislation or other high-profile commitments to prioritise their reduction through EU or national-level action. We could, for instance, imagine a Europe where governance is much more thoroughly anchored around the horizontal social clause in Article 9 TFEU: 'In defining and implementing its policies and activities, the Union shall take into account requirements linked to the promotion of a high level of employment, the guarantee of adequate social protection, the fight against social exclusion, and a high level of education, training and protection of human health.'

The 2022 Adequate Minimum Wages Directive is an exemplary source to explore both momentum and fragility. Above, we outlined several of its ground-breaking contributions to EU law. It gives considerable forward momentum to Social Europe, especially collective bargaining. It shows the EU addressing low wages which feed into poverty and the cost-of-living crisis (Müller, Vandaele and Zwysen 2023). As the example of Romania referred to above shows, the Directive has a special resonance in central and eastern Europe. Yet the Directive also demonstrates that there are some issues still to be resolved in Social Europe.

Bold New Social Europe legislation is being born, but not without competence challenges. To create the Adequate Minimum Wages Directive, competence to work around the exclusion of EU legislative competence for pay in Article 153(5) TFEU was found by opting for a framework directive under Article 153(1)(b) TFEU which allows measures on working conditions to be adopted by a qualified majority vote in the Council. Since it does not contain measures directly affecting the level of pay, neither harmonising levels of minimum pay nor establishing a uniform minimum wage-setting mechanism, the EU legislature maintains that it fully respects the limits imposed on Union action by Article 153(5) TFEU. Rather, the Directive establishes criteria that Member States must use to evaluate the adequacy of statutory minimum wages<sup>23</sup> and

23. Article 5 AMWD. These include the purchasing power of the statutory minimum wage, the general level of wages and their distribution. States can also have regard to established international reference levels e.g. 60% of median wage or 50% of the average wage (gross).

procedures to establish, monitor and regularly update their level. It protects systems setting minimum wages through collective bargaining in various ways. Above all, it provides that 'Nothing in this Directive shall be construed as imposing an obligation on any Member State where wage formation is ensured exclusively via collective agreements, to introduce a statutory minimum wage'. Moreover, collectively bargained wages made universally applicable without any state discretion are not considered to be statutory minimum wages.

Competence concerns have nonetheless resulted in litigation being brought by Denmark before the Court of Justice of the EU against the European Parliament and the Council to annul the Directive (C-19/2023). At the same time, the opportunities and challenges of the Directive go beyond EU law-making and include the politics and practicalities

of transposition and implementation (see, for example, Orlandini and Meardi (2023) on Italy). The coming years will provide a fascinating experiment to show how EU law and policy, with this Directive at their heart, can reshape and enhance wage protection, collective bargaining and unionisation.

The EU's Social Pillar process has, to date, provided a rights language and framework for making and sustaining claims for social and labour rights, including participatory and representation rights, at EU level. Continuing its momentum after the 2024 elections would require reconsidering, in a more far-reaching way, EU competences, EU funding and the economic governance framework, in the context of urgent priorities to adapt to digital, green and democratic challenges, with a view to giving Social Europe more solid foundations.

# References

- Ales E. (2022) National recovery and resilience plan: Italy, *Italian Labour Law E-Journal*, 15 (1S), 1-13.
- Aranguiz A. (2022) National recovery and resilience plan: Spain, *Italian Labour Law E-Journal*, 15 (1S), 1-15.
- Armingeon K., de la Porte C., Heins E. and Sacchi S. (2022) Voices from the past: economic and political vulnerabilities in the making of next generation EU, *Comparative European Politics*, 20, 144–165.
- Crowe R. (2024) The European Union's Public Finances in Times of Crisis: Fragmentation, Innovation, and Consolidation in Kilpatrick C. and Scott J. (eds.) *New Frontiers of EU Funding: Law, Policy and Politics*, Oxford University Press. [Forthcoming]
- Dimitriu R. (2022) National recovery and resilience plan: Romania, *Italian Labour Law E-Journal*, 15 (1S), 1-13.
- FEBA (European Food Banks Federation) FEBA EU Working Groups 2022 Report, Brussels.
- Graziano P. and Polverari L. (2020) The social impact of cohesion policy, in Vanhercke B., Ghailani D., Spasova S. and Pochet P. (eds.) *Social policy in the European Union 1999-2019: the long and winding road*, OSE and ETUI, 167-182.
- Greiss J., Hermans K. and Cantillon B. (2023) The making of a European Social Union: the case of foodbanks and the right to minimum income protection, Working Paper 23/06, University of Antwerp Herman Deleeck Centre for Social Policy.
- Hopkin J. (2019) *Anti-System Politics: the crisis of market liberalism in rich democracies*, Oxford University Press.
- Kilpatrick C. (2018) Social Europe via EMU: Sovereign Debt, the European Semester and the European Pillar of Social Rights, *Giornale di Diritto del Lavoro e di Relazioni Industriali*, (160), 737-759.
- Kilpatrick C. (2023) The roaring 20s for Social Europe. The European Pillar of Social Rights and burgeoning EU legislation, *Transfer*, 29 (2), 203-217.
- Menegatti E. and Rainone S. (eds.) (2022) Editorial: Special Issue - The NextGeneration EU in action: impact on Social and Labour Policies, *Italian Labour Law E-Journal*, 15 (1S), 1-3.
- Müller T., Vandaele K. and Zwysen W. (2023) Wages and collective bargaining: fighting the cost-of-living crisis, in Countouris N., Piasna A. and Theodoropoulou S. (eds.) *Benchmarking Working Europe 2023*, ETUI and ETUC, 77-98.
- OECD and IAS ICTWSS (2021) *Database on Institutional Characteristics of Trade Unions, Wage Setting, State Intervention and Social Pacts*.
- Orlandini G. and Meardi G. (2023) Round table - Implementing the EU Directive on adequate minimum wages in southern Europe: the odd case of Italy, *Transfer*, 29 (2), 253-259.
- Rainone S. (2022) The 2022 Country Specific Recommendations in the social field: quo vadis, EU recovery? An overview and comparison with previous European Semester cycles, Report 2022.08, ETUI.
- Rainone S. and Pochet P. (2022) The EU recovery strategy A blueprint for a more Social Europe or a house of cards?, Working Paper 2022.18, ETUI.
- Sabato S. and Theodoropoulou S. (2022) The socio-ecological dimension of the EU's recovery: further traction for the European green deal?, in Vanhercke B., Sabato S. and Spasova S. (eds.) *Social policy in the European Union: state of play 2022: policy making in a permacrisis*, ETUI, 43-67.
- Trappmann V., Bessa I., Joyce S., Neumann D., Stuart M. and Umney C. (2020) *Global labour unrest on platforms: the case of food delivery workers*, Friedrich-Ebert-Stiftung.
- Vandaele K. and Piasna A. (2023) Sowing the seeds of unionisation? Exploring remote work and work-based online communities in Europe during the Covid-19 pandemic, in Countouris N. et al. (eds.) *The Future of Remote Work*, Brussels, ETUI, 103-126.
- Zeitlin J. and Vanhercke B. (2018) Socializing the European Semester: EU social and economic policy co-ordination in crisis and beyond, *Journal of European Public Policy*, 25 (2), 149-174.

All links were checked on 06.02.2024





# 1. European macroeconomic policies amidst shifting priorities



Sotiria  
Theodoropoulou

Cite this chapter: Theodoropoulou S. (2024) European macroeconomic policies amidst shifting priorities, in Piasna A. and Theodoropoulou S. (eds.) (2024) Benchmarking Working Europe 2024, ETUI and ETUC.

# Topics

Introduction	29
Economic developments	31
Policy developments in the EU	37
Conclusions	48



The review of the EU's fiscal rules will turn out to be a missed opportunity for achieving a more meaningful balance between fiscal, green and social objectives

**Sotiria Theodoropoulou**

# Introduction

The period since 2019 has seen extraordinary developments in Europe and the world. These include the outbreak of the Covid-19 pandemic, the ongoing climate emergency, the beginning of the war in Ukraine, the energy shock triggered by this war and the ensuing cost-of-living crisis, as well as – more recently – serious armed conflict in the Middle East. These developments were met with notable policy responses and initiatives which, in several ways, marked a departure from reactions to previous crises, such as the global financial crisis of 2008-2009 and the balance of payments/public debt/banking crisis that followed in 2010-2012. While the initial response – both in 2008-2009 and since 2019 – was one of coordinated fiscal stimulus in Europe, in the period from 2019 onwards that stimulus went much further, with a temporary suspension of the fiscal rules boosted by monetary policy tools and relaxations of the state aid rules.

The policy discourse also shifted away from the goal of facilitating numerical flexibility for firms and towards the goal of assisting them and their workers in preserving employment relations by means of job retention schemes, supported by the EU programme SURE (Support to mitigate Unemployment Risks in an Emergency) which was financed by EU borrowing. The EU Member States also agreed to embark on EU borrowing to finance a recovery strategy for the EU for the period up to 2026, stepping up their efforts towards achieving climate neutrality by 2050 with the pledge of ‘leaving no one behind’. It appeared that these policy developments were being aligned and financially enabled within the broader context of a tentative revival of Social Europe, which is the theme of this year’s Benchmarking Working Europe.

However, this process has not gone unchallenged. The war in Ukraine, following Russia’s invasion, resulted in an energy price shock and heightened concerns – building on those already voiced during the pandemic – about the potential threat to Europe’s resilience entailed by its dependence on global supply chains. From 2022 onwards, this macroeconomic policy expansion was partly reversed in Europe as inflation shot up to double-digit figures and monetary policy altered course from zero/negative interest rates and quantitative easing. Calls have already emerged for national fiscal policies to become more supportive of monetary policy by pushing inflation rates towards the target of 2%, which implies that they should become more restrictive. The higher interest rates imposed by central banks have also increased the cost of public borrowing, which also affects the EU in connection with the financing of its commitments under the Multiannual Financial Framework (MFF) and NextGenerationEU (NGEU). Meanwhile, Germany’s Constitutional Court has recently struck down spending plans aimed at supporting climate change measures in Germany.

At the time of writing, the EU is in the process of implementing its current MFF for the period 2021-2027, and has reached two important agreements. The first relates to the question of how to expand the resources and flexibility of its budget between now and 2027 in order to meet previously unplanned challenges, such as the war in Ukraine and its consequences for the Ukrainian people, and how to finance the rising costs of the NGEU. The second pertains to a review of the EU’s economic governance and, more specifically, its multilateral fiscal surveillance framework, with a view not only to remedying the shortcomings that have emerged since the previous reform in 2011-2012 but also to taking on board the current strategic orientations and the lessons learned from the pandemic. All of these frameworks, including the new monetary policy strategy that the ECB adopted in 2021, initially made explicit mention of social and green considerations, with the European Pillar of Social Rights providing the benchmark framework for enhancing the social dimension.

The purpose of this chapter is to review important macroeconomic developments in the EU in 2023 and to examine more closely how the main policy tools at EU and national level have been evolving, including the aforementioned reviews of the EU's economic governance and

budget. It assesses these developments and the extent to which they are likely to continue acting as a source of support, amidst shifting priorities, for the EU's social aspirations and ambitions, which have recently been growing.

# Economic developments

## Growth

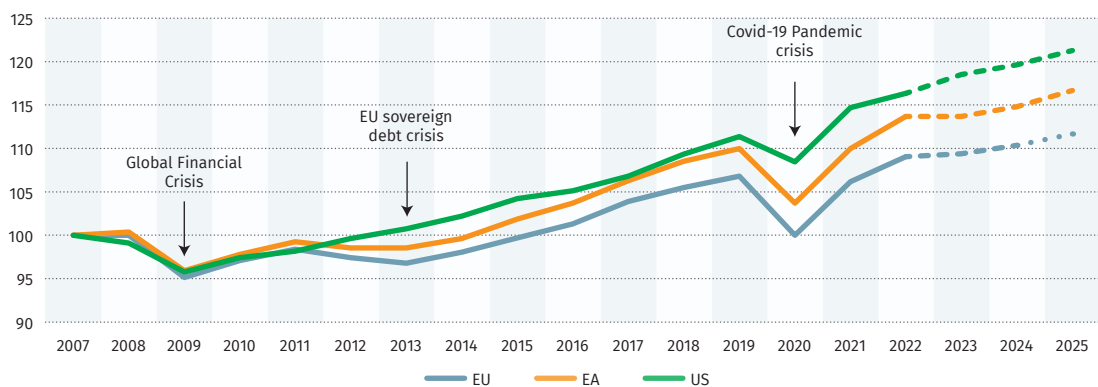
In the EU and the euro area, 2023 saw a stalling of the recovery from the recession caused by the Covid-19 pandemic in 2020 (see Figure 1.1). Given the size of the inflation shock, the resilience of output and employment growth in the first half of 2022 had been surprising; following this, however, real GDP growth began declining in the second half of 2022 and came to a standstill at the end of 2022 and in the first three quarters of 2023 (see Figure 1.2). While private final demand held up until the third quarter of 2022, not least thanks to the support measures that many governments in Europe deployed for households and companies (see Figure 1.3), several factors eventually took their toll on consumption and investment; these included the persistence of what started out as energy inflation and its spread to other groups of commodities, the cost-of-living crisis with

real labour income losses and the tightening of monetary policy since the summer of 2022. Investment has made virtually zero contribution to GDP growth since late 2022. Although net exports of goods and services were a driver of output growth in late 2022 and early 2023 as the terms of trade improved with declining energy prices, they made a negative contribution to GDP growth as international trade shrunk under the weight of China's economic slowdown and the broader uncertainty from the geopolitical situation (European Commission 2023b). The necessary fiscal adjustments that new economic governance rules will require are also likely to constrain output growth.

As was the case with the pandemic shock, many EU national governments deployed robust fiscal responses to the energy crisis in order to mitigate its impact on households and firms (see Figure 1.3). In 2022, most of the national

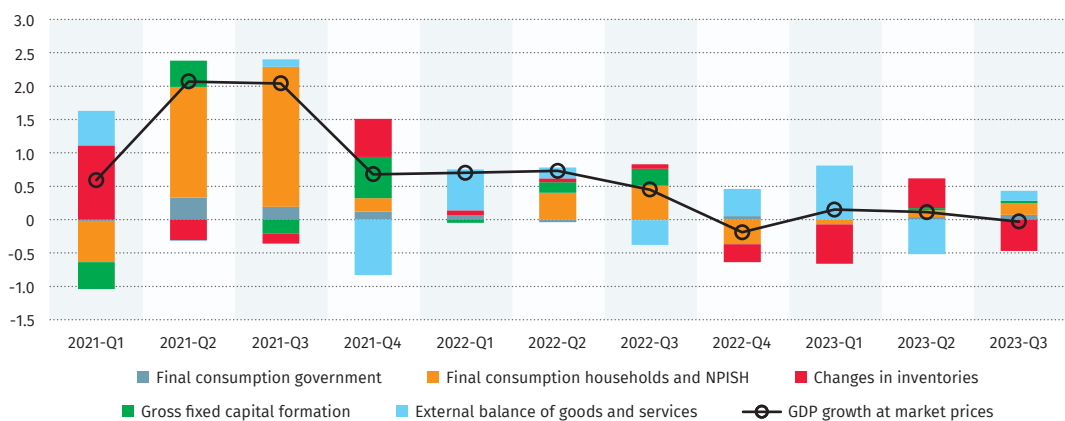
“  
2023 saw a stalling of the recovery from the recession caused by the Covid-19 pandemic in 2020

Figure 1.1 Real GDP growth (2008=100), EU, euro area and US, 2008-2023(e), 2024(f)-2025(f)



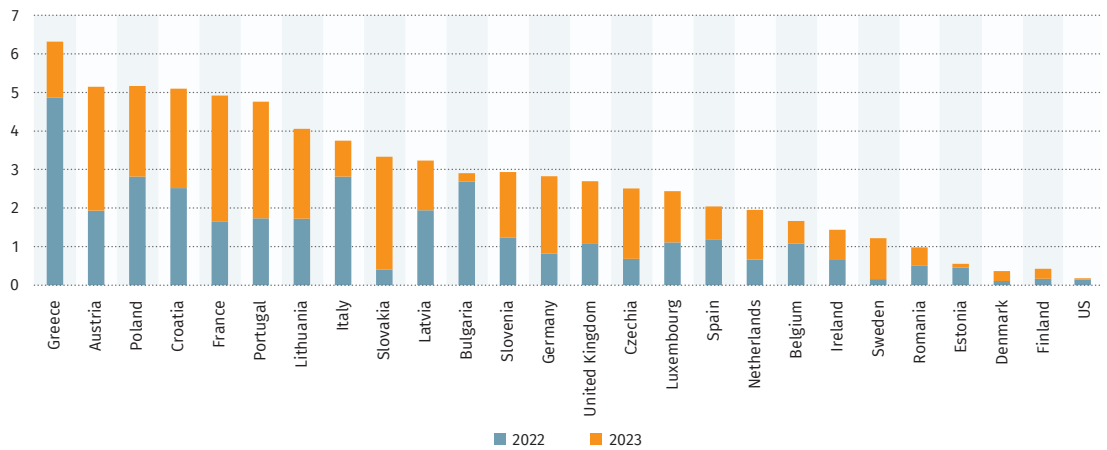
Source: Own calculations using AMECO data (RVGDP).

Figure 1.2 Contributions in percentage points to GDP growth (%) of main expenditure components, EU, 2021Q1-2023Q3



Source: Eurostat (namq\_10\_gdp).

Figure 1.3 Fiscal responses to the energy crisis (expenditure as % of GDP), EU Member States/OECD member countries, UK and US, 2022 and 2023



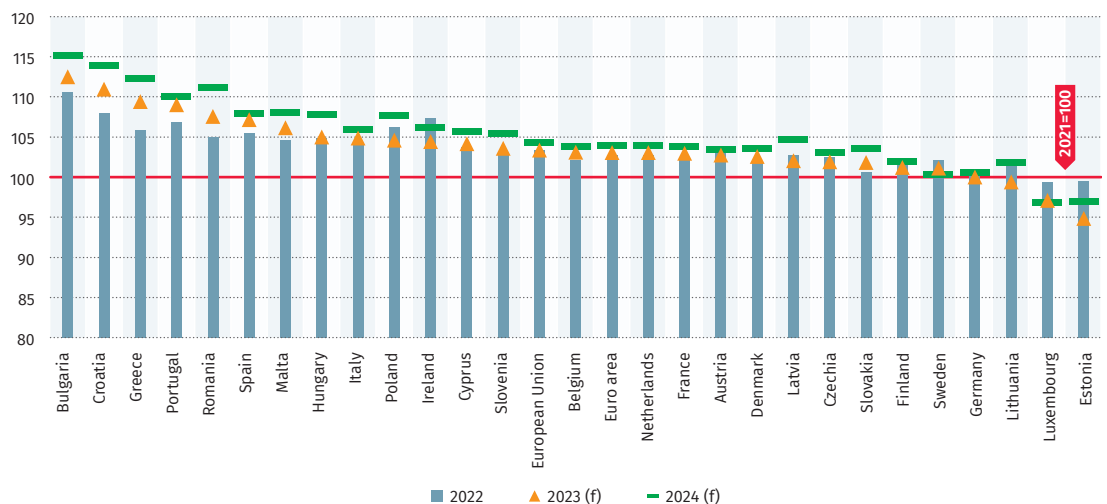
Source: OECD energy support measures tracker.

responses in the EU took up well over 0.7% of GDP (the response of the median OECD member country), while the respective figures for the UK and US were 1.07% and 0.15% of GDP (OECD 2023). The measures that national governments across Europe took to support households and firms in the face of energy price increases started to be phased out in 2023.

The European Commission's Autumn 2023 Economic Forecast suggested that growth could be expected to pick up again in 2024 and 2025, but uncertainty about when the ECB's widely expected policy interest rate reductions will start has been casting doubt over when and how strongly recovery will resume. This uncertainty over forecasts is further amplified by the continued war in Ukraine and the new conflict in the Middle East (European Commission 2023b).

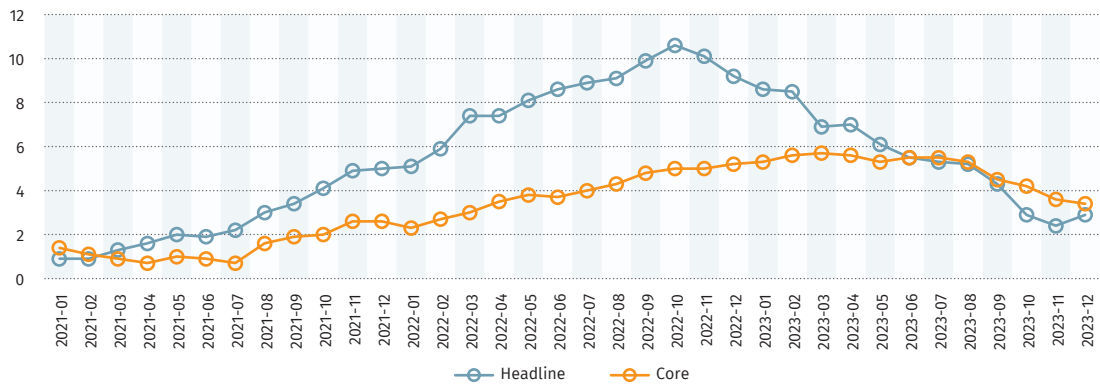
At national level, real GDP per capita growth slowed down everywhere in 2023 compared to 2022 (except Slovakia, where it grew by 1.2%). In 12 Member States (Poland, Ireland, Austria, the Netherlands, Latvia, Czechia, Finland, Sweden, Germany, Lithuania, Luxembourg and Estonia), real GDP per capita even shrank (see Figure 1.4). At the other end of the spectrum, Bulgaria, Croatia, Greece, Portugal, Romania, Spain and Malta experienced real GDP per capita growth rates of between 1.5% and 3.3%. The European Commission's Autumn 2023 Economic Forecast (2023b) suggested that per capita real growth rates would accelerate in 2024 in 22 Member States, while Luxembourg and Sweden were likely to see their real GDP per capita shrink for a second year in a row.

Figure 1.4 Real GDP per capita in the EU Member States (2021=100), 2022, 2023 (e), 2024 (f)



Source: Own calculations using AMECO data (RVGDP).

Figure 1.5 Euro area monthly (year-on-year) inflation rate (%), 2021M1-2023M12



Source: Eurostat (prc\_hicp\_manr).

## Inflation-related developments

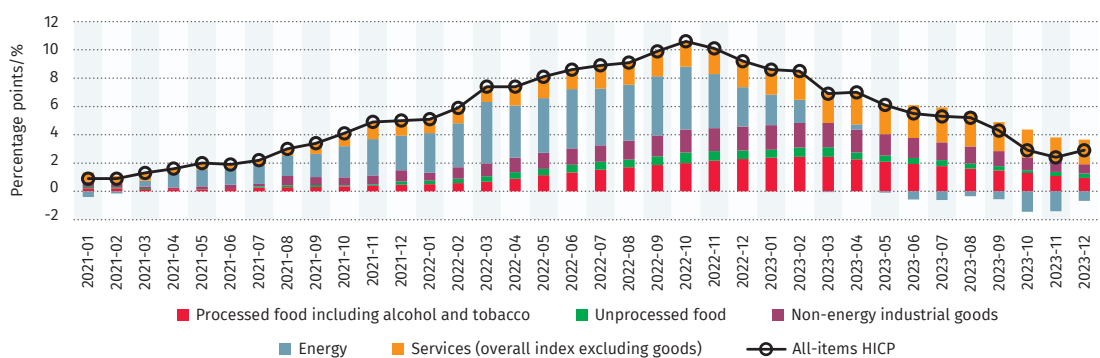
Euro area headline inflation (Harmonised Index of Consumer Prices (HICP), all-items) continued its deceleration in 2023, after having peaked at 10.6% (year-on-year) in October 2022. By December 2023, its year-on-year rate was estimated at 2.9%, having increased from 2.4% in November 2023 (Eurostat data – see Figure 1.5), whereas the ECB projected a figure of 5.3% for the whole of 2023, which is still well above the target rate of 2%. Core inflation, or in other words the inflation rate excluding the relatively more volatile energy and food price indexes and thus providing an indication of inflation developments that do not necessarily warrant policy reaction, also declined in 2023, but only after having peaked in March of that year. By November 2023, it was estimated to stand at 3.6% (year-on-year).

As Figure 1.6 shows, energy inflation ceased to be the main contributor to headline inflation in the euro area in 2023, and even turned negative from June 2023 onwards. The contributions of

non-energy industrial goods and processed food, tobacco and alcohol have also been diminishing. In contrast, the contribution of services inflation has remained stable and even accelerated slightly since summer 2022. These developments reflect how different sectors have adjusted over time to the losses from the shock of 2022 relating to imported commodities (energy and, to some extent, food).

The recent episode of high inflation has in fact manifested itself to very different extents across Member States, depending not only on their exposure to imported commodities, but also on the domestic reaction of unit profits and unit labour costs to inflationary pressures (Figure 1.7). The Baltic states registered the highest annual inflation rates in 2022, ranging from 17.2% in Latvia to 19.4% in Estonia. Nevertheless, by October 2023, inflation (on a year-to-year basis) had declined in all three, including falls to 5% in Estonia and 2.3% in Latvia. Meanwhile, high inflation persisted in Hungary, Czechia, Romania, Slovakia, Croatia, Slovenia, Poland, Bulgaria, Austria, France, Malta, Sweden, Greece and Cyprus in October 2023, with rates ranging from 9.6% in Hungary to 3.6% in Cyprus.

Figure 1.6 Contributions (in percentage points) to euro area annual inflation of main groups of commodities, and monthly (year-on-year) headline inflation (HICP %), 2021M1-2023M12



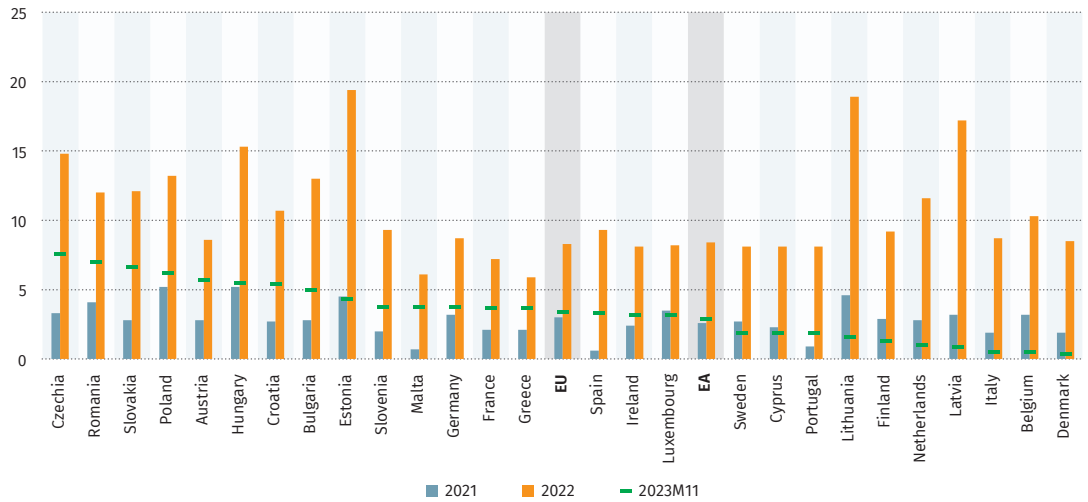
Source: Eurostat (prc\_hicp\_ctrb).





The surge of inflation across Europe from 2021 onwards resulted in a cost-of-living crisis, as nominal wage increases did not keep up with inflation

Figure 1.7 **Headline inflation rate (%) in the EU27 Member States, 2021, 2022, 2023M11**

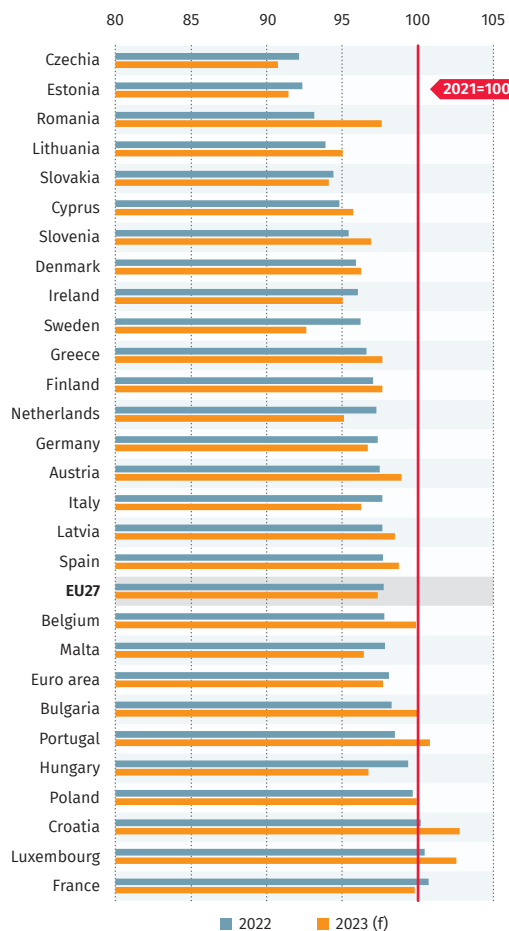


Source: Eurostat (prc\_hicp\_manr and prc\_hicp\_aind).

At the other end of the spectrum, Finland, Latvia, Luxembourg and Italy had inflation rates around the ECB target of 2% in October 2023, whereas Denmark, the Netherlands and Belgium had negative inflation that month.

The surge of inflation across Europe from 2021 onwards resulted in a cost-of-living crisis, as nominal wage increases did not keep up with inflation (see also Chapter 3). As Figure 1.8 shows, in all but a handful of EU Member States, real compensation per employee declined in 2022 compared to 2021 and is expected to return to the levels seen in 2021 (when inflation had already started picking up) in only seven Member States. The fact that inflation developments were mostly driven by energy and food price increases (as shown above) meant that households at the lower ends of the income distribution effectively faced higher inflation rates, as energy and food constituted a relatively higher share of their budgets (Claeys, MacCaffrey and Weslau 2022).

Figure 1.8 **Real compensation per employee (2021=100) in 2022-2023, EU Member States**

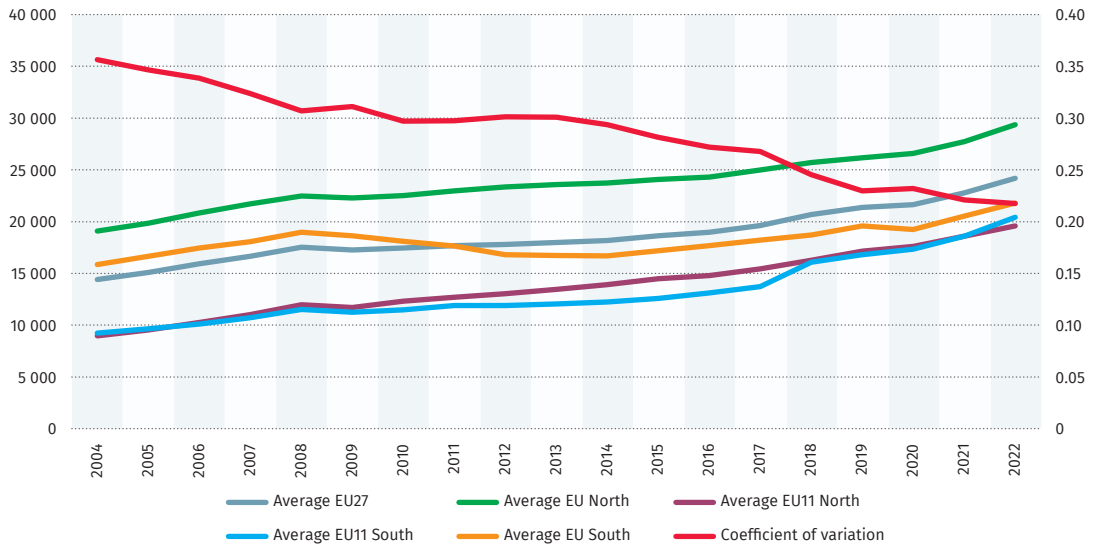


Source: AMECO (RWDCD).

## Upward convergence in the EU

The year 2024 marks 20 years since the first wave of accession of the central and eastern European (CEE) Member States that had transitioned to being market economies since the early 1990s. The 'sustained convergence of economic performances of the Member States' is one of the stated objectives of the EU (Article 120(3) TFEU). This 20-year period since 2004 has also been punctuated by multiple crises, in particular since 2008. Several of the Member States who joined in 2004 were seriously affected by the global financial crisis and had to receive financial support from the EU and the IMF. Figure 1.9 shows the evolution of

Figure 1.9 Upward/downward convergence/divergence right-axis of adjusted gross disposable income of households per capita (left-axis, PPS, EU27 from 2020), EU27 and subgroups, 2004-2022



Source: Own calculations using Eurostat data (sdg\_10\_20).

(unweighted<sup>1</sup>) adjusted gross disposable income of households (AGDIH) per capita (in PPS) for the EU27 as a whole and for subgroups thereof, and also shows whether Member States on average converged towards or diverged from that average (coefficient of variation). The indicator reflects the purchasing power of households and their ability to invest in goods and services or save for the future, by accounting for taxes and social contributions and monetary in-kind social benefits. When the coefficient of variation decreases, there is convergence, whereas, when it increases, there is divergence. When the AGDIH per capita increases, the convergence or divergence is upwards, whereas, when it is reduced, the convergence/divergence is downwards. Figure 1.9 also shows the evolution of the (unweighted) AGDIH for different groups of countries, namely the central and eastern European countries which joined from 2004 onwards (EU11), divided in two groups (EU11

North and EU11 South); and the EU North and the EU South.<sup>2</sup>

Different periods can be identified. From 2004 to 2008, the pattern was mostly one of upward convergence in the EU and all the subgroups of countries. This pattern was disturbed in 2008: on the one hand, the AGDIH per capita of the EU South group began to decline/stagnate in contrast with the GDP of the other two groups, while overall the trend within the EU was one of neither convergence nor divergence; on the other hand, there was a clear pattern of upward divergence within the EU between 2012 and 2015. From 2015 to 2019, the pattern of upward convergence resumed, with average GDP per capita increasing in the EU27 and within all groups, while convergence

1. We use the methodology developed by Eurofound (2018) for conceptualising and categorising convergence/divergence. The average used is 'unweighted' to allow all Member States to have the same weight in shaping the trend.

2. The group of EU11 countries includes Bulgaria, Czechia, Estonia, Croatia, Hungary, Lithuania, Latvia, Poland, Romania, Slovenia and Slovakia, or in other words the Member States which joined in 2004 and had transitioned to being market economies in the 1990s; this group is further split into EU11 North (Czechia, Estonia, Hungary, Lithuania, Latvia, Poland and Slovakia, that is, Member States which joined in 2004 and whose growth model had been largely FDI-led); and EU11 South (Slovenia, Croatia, Bulgaria and Romania, i.e. certain Member States that joined later and whose growth model was somewhat less FDI-led (Slovenia)). The EU North group includes Belgium, Denmark, Germany, Ireland, France, Luxembourg, the Netherlands, Austria, Finland and Sweden, or in other words the Member States of the EU15 in the north and north-west of the EU; the EU South group includes Cyprus, Greece, Spain, Italy, Malta and Portugal.

was quite pronounced, especially as the average GDP per capita of the CEEs converged to that of the EU South. Divergence occurred again between 2019 and 2021, while the AGDIH per capita of the EU South declined, as the southern EU Member States with large tourism sectors were particularly badly hit by the public health restrictions imposed in the wake of the

Covid-19 pandemic. Between 2021 and 2022, upward divergence resumed, suggesting that, on average, the cash and in-kind tax benefit systems of the Member States cushioned to some extent the impact of the cost-of-living crisis on households' disposable income, as real wage growth faltered.

# Policy developments in the EU

## Monetary policy

Starting in July 2022, and despite the fact that inflation was due to a supply shock in the form of high imported energy inflation, the ECB began raising three policy interest rates – the interest rate on the deposit facility, the interest rate on the main refinancing operations and the interest rate on the marginal lending facility,<sup>3</sup> which stood at -0.50, 0.50 and 0.25 respectively. The last such rate increase took place in September 2023, raising them to 4.0, 4.50 and 4.75 respectively, which was the highest since 2008 (see Figure 1.10). At all its meetings from October 2023 to January 2024, the ECB's Governing Council decided to keep rates high but stable. The latest (December) ECB staff projections foresee that headline inflation is set to decline to 5.4% in 2023 and to 2.7% in 2024, more rapidly than was previously forecast, while the risks of slower future output growth have increased due to the tighter financing conditions that monetary policy has created. It is currently expected that inflation will return to the ECB target by 2025. On the other hand, core inflation (on a year-to-year basis) remained well above the 2% target in December 2023 (see Figure 1.6), while the ECB staff projected it to be at 5% for 2023 as a whole.

At the same time, the ECB has been stepping up the 'normalisation' of its balance sheet. From 2014 onwards, the ECB engaged in large asset purchase programmes (APPs) under which it bought corporate and government bonds as well as asset-backed securities from the secondary markets in exchange for liquidity, in an attempt to preserve the transmission mechanism of its monetary policy and stimulate demand in a context where interest rates had reached the

3. These are the policy interest rates set by the European Central Bank. The deposit facility rate is the interest rate the ECB pays to banks for depositing cash with it; the main refinancing operations rate is the interest rate that banks pay to the ECB in exchange for liquidity (money); and the marginal lending facility rate is the interest rate that banks have to pay to the ECB for overnight lending from it. The deposit facility and the marginal lending facility rates effectively set a lower and upper interest rate limit for the market interest rates then set by banks in the monetary system.

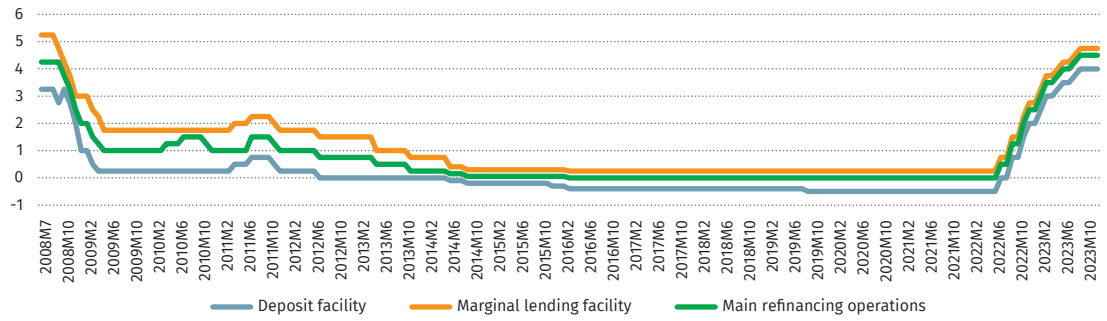
zero lower bound. In 2018-2019 and from 2022 onwards, the ECB decided to start scaling down these programmes, with no new purchases and only partial or full reinvestment of the maturing principals of the bonds/securities. From July 2023, the ECB stopped reinvesting redeemed principals from the APPs.

### How conventional monetary policy works

Increases in the ECB's policy interest rates are aimed at increasing the interest rates at which the national banking systems of the euro area generate liquidity, most notably by granting loans, to meet demand for money in the economy and, ultimately, at increasing the interest rates in money and financial markets. Thus, higher central bank interest rates typically result, through market interest rates, in lower consumption and investment both in the private and the public sector, since when they rise, it pays more (in interest) to save more (and thus postpone consumption), while the cost of borrowing to finance consumption and investment increases. Higher interest rates are also likely to result in a nominal exchange rate appreciation, thus putting downward pressure on net exports, which are another component of aggregate demand. These effects result in lower aggregate demand, and since – other things being equal – they also lead to lower job creation and higher unemployment, they eventually put downward pressure on price and wage growth, which can prevent inflation from accelerating further. The responsiveness of prices and wages to lower aggregate demand (and/or higher unemployment) depends on the structural and institutional characteristics of the product and labour markets (such as the degree of competition in the product market, the coordination of collective wage bargaining). The most conventional monetary policy tool therefore aims to keep inflation under control by putting pressure on the demand side of the economy.

In March 2020, the ECB additionally launched the pandemic emergency purchase programme

Figure 1.10 European Central Bank policy interest rates (%), 2008M7-2023M12



Source: European Central Bank.

(PEPP), whose financial envelope had reached 1.85 billion euros by December 2020. Net asset purchases ceased from March 2022 onwards, whereas the reinvestment of maturing principal payments has continued. In December 2023, it was decided that reinvestments under the PEPP would continue for the first half of 2024 and that the PEPP portfolio would start to be reduced at an average rate of 7.5 billion euros per month until the end of 2024, after which reinvestments would be discontinued. The ECB would also keep on regularly assessing how the targeted longer-term refinancing operations (TLTROs) (under which it provides liquidity to credit institutions (banks) in the euro area at interest rates that are linked to the banks' lending patterns) contributes to its monetary policy stance. In the third cycle of these TLTRO programmes (liquidity provided between 2019 and 2022), the interest rate at which this liquidity was provided to banks was lower than or equal to the (average) deposit facility interest rate.

Despite the fact that their stated purpose was to counter the risks to the monetary policy's transmission mechanism, the ECB asset purchasing programmes have been an important pillar of support for the euro area economies and have also facilitated government responses to the pandemic shock, since they resulted in lower interest rates for borrowing. As shown by Goutsmedt and Fontan (2023), the ECB also shifted its discourse during that period towards wage-setters (calling for stronger wage increases) and fiscal policy-makers (calling for fiscal expansion and even a reform of the Stability and Growth Pact). In that sense, the ECB has also played a role in the drivers enabling the recently observed flourishing of Social Europe, which is the theme of this year's Benchmarking Working Europe.

Given these developments, the key questions are whether the ECB's interest rates have peaked by now or whether they are likely to increase again, and whether – and if so, how fast

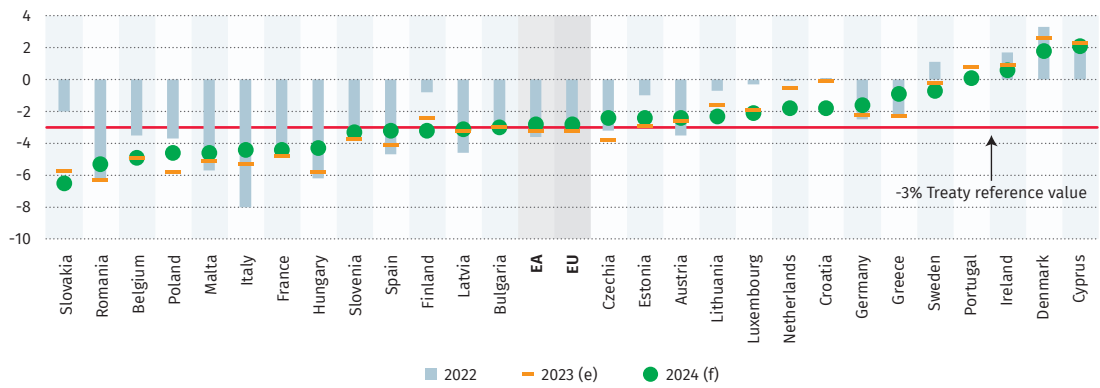
– they could be expected to decrease, thereby easing the pressure on real demand. Although actors in the financial market have forecast that the ECB's monetary policy will start easing as early as March 2024, ECB officials have been more cautious and have managed expectations in their communications, raising yet again their concerns about growing unit labour costs and any potential impact on inflation pressures through the emergence of wage-price spirals. A recent analysis of historical evidence by the IMF has suggested however, that such wage-price spirals have been rare (Alvarez et al. 2022).

## Public finances and fiscal policy

In 2023, the average general government budget deficit (as a share of GDP) in the EU and the euro area remained just above the 3% reference value (3.2%), whereas, in 11 Member States (Romania, Hungary, Poland, Slovakia, Italy, Malta, Belgium, France, Spain, Czechia, Slovenia and Latvia), budget deficits ranged from 6.3% (in Romania) to 3.2% (in Latvia) and 3% (in Bulgaria) (Figure 1.11). According to the European Commission's Autumn 2023 Economic Forecast, budget deficits are expected to stay above the 3% value in 12 Member States in 2024, whereas the EU and euro area average budget deficits are expected to stand at 2.8% of GDP. For 2023, 10 Member States (Finland, Estonia, Austria, Luxembourg, Lithuania, Germany, Greece, the Netherlands, Croatia and Sweden) are estimated to have budget deficits below 3% of GDP, whereas four (Portugal, Ireland, Cyprus and Denmark) are expected to have surpluses.

For the same year, the general government public debt to GDP ratio is estimated to stand at 90.4% for the euro area and 83.1% for the EU (Figure 1.12). For 2024, it is forecast that, in both areas, it will fall by less than 1 percentage point to 89.7% and 82.7% of GDP respectively. For 2023 and 2024 (according to the European

Figure 1.11 General government budget balance (% of GDP), EU, euro area and Member States, 2022, 2023 (e), 2024 (f)



Source: AMECO (ULBGE).

For 2024, it has been recommended that most Member States tighten their fiscal policies

Commission's Autumn 2023 Economic Forecast), 12 Member States will have public debt ratios above the 60% reference value, with six of them having ratios over 100%. In most Member States where the public debt ratio is expected to fall between 2023 and 2024, the reduction will be up to around 1 percentage point or lower. Notable exceptions include Greece and Cyprus, where, thanks to relatively high expected inflation and real GDP growth (European Commission 2023c: 35 and 69), the public debt ratio is projected to decline by 9 percentage points in Greece (from 160% to 151%) and by almost 7 percentage points in Cyprus (from 78% to 71%). In several Member States, the public debt ratio is expected to increase by a couple of percentage points between 2023 and 2024.

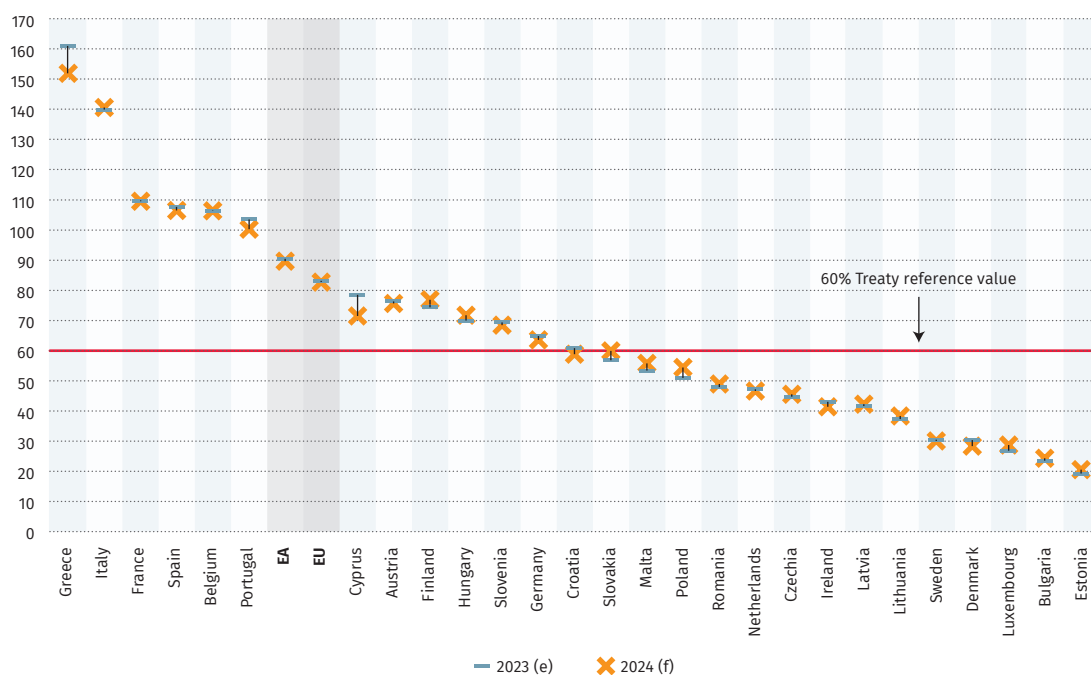
In 2023, most EU Member States (Belgium, Bulgaria, Denmark, Estonia, Ireland, Greece, Spain, Croatia, Cyprus, Lithuania, Latvia, Luxembourg, Poland, Portugal, Slovenia, Slovakia, Finland and Sweden) maintained an expansionary or neutral/expansionary

fiscal policy stance,<sup>4</sup> many of which (Bulgaria, Denmark, Estonia, Ireland, Croatia, Cyprus, Lithuania, Latvia, Slovakia, Finland and Sweden) actually became more supportive than in 2022. For 2024, the European Commission forecasts suggest that most Member States are going to tighten their fiscal policies. Figure 1.13 shows the recommended fiscal adjustment for 2024 for all Member States, which, since 2020, has been operationalised as the change in net general government primary (or, in other words, net of interest payments) expenditure, net of the incremental impact of any discretionary revenue measures, excluding cyclical unemployment expenditure (e.g. on unemployment benefits) but including the change in expenditure financed by the RRF grants and other EU funds, relative to the medium-term (10-year) average potential GDP (nominal) growth rate (European Commission 2023c, p. 4). What is more, based on the country-specific recommendations of 2023

4. The fiscal policy stance of a Member State is aimed at assessing the influence that fiscal policies (public spending and revenues) are likely to have in an economy, most notably whether they are likely to stimulate or suppress aggregate demand. In the context of EU multilateral fiscal surveillance, the fiscal policy stance also allows an assessment of how fast a Member State is approaching the structural primary balance that defines its medium-term objective. Whereas normally only nationally financed fiscal policies are taken into account for calculating the fiscal stance, the large disbursements in Member States of EU funds (most notably from the Recovery and Resilience Facility, but also from the rest of the NextGenerationEU pillar and the EU budget for 2021-2027) mean that the calculation of a Member State's fiscal stance needs to take these financial flows into account, as they are matched by revenue from the EU (European Commission 2023c).

“ Council and Parliament negotiators reached provisional political agreement on the Commission's legislative proposal reforming the Stability and Growth Pact

Figure 1.12 General government debt (% of GDP), EU, euro area and Member States, 2023 (e), 2024 (f)



Source: Ameco (UDGG).

and the assessments of the euro area’s draft budgetary plans, an increase in fiscal effort, by reducing the net nationally financed primary expenditure (NNPE) compared the Member State’s plans, was recommended in 12 out of 27 Member States. In two of these (Germany and Luxembourg), the recommended reduction was only 0.1-0.2 percentage points of GDP. In another three (Bulgaria, France and Finland), the recommended reduction in the NNPE was below 1 percentage point of GDP (0.6-0.8). In the remaining Member States where greater fiscal effort was recommended, it ranged from 1.8 (Belgium and Latvia) to 5.3 percentage points of GDP (Croatia) (see Figure 1.13).

### The economic governance review<sup>5</sup>

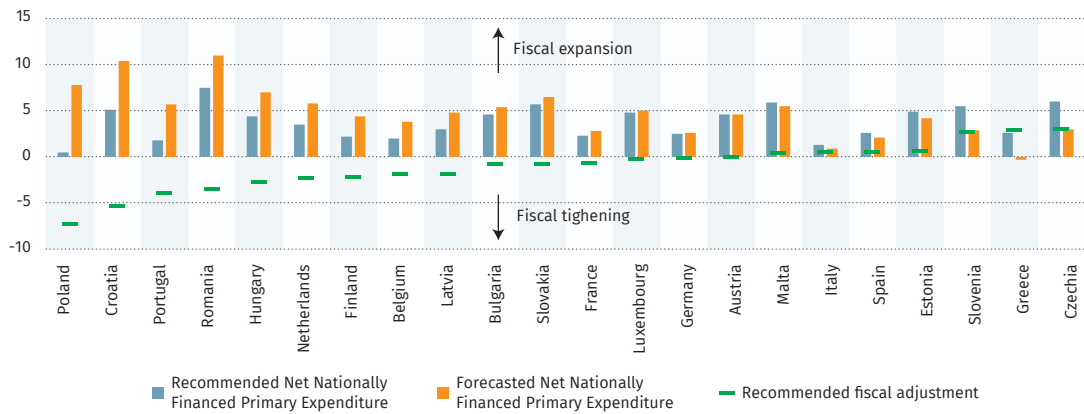
On 26 April 2023, the European Commission presented its long-awaited package of legislative proposals for reforming the EU’s fiscal framework, formally known as the Stability and Growth Pact (SGP). The package includes proposals for two regulations and one directive. Aimed at amending the so-called ‘preventive arm’ of the SGP (European Commission 2023f), the first proposed regulation was accompanied by a document with several annexes detailing

specific points of the proposal (European Commission 2023a). Subject to the ordinary legislative procedure, Council and Parliament negotiators reached provisional political agreement on 10 February 2024 on the proposal’s amended content (Council of the European Union 2024). At the time of writing, the agreement had been submitted for approval by the respective committees of the Council (COREPER) and the European Parliament (ECON). Once approval has been gained, it will be put to the vote in the two institutions.

The second proposed regulation is aimed at amending the ‘corrective arm’ of the SGP (European Commission 2023d), while the aim of the proposed directive (European Commission 2023e) is to reorient Member States’ budgetary frameworks, aligning them with the new fiscal framework set out in the proposed regulations. Both these legislative proposals are subject to amendments by the Council, with only a consultation of the European Parliament required. The Council reached its position on them on 20 December 2023, while the vote of the European Parliament is expected at the same time as that on the regulation on the SGP’s preventive arm.

5. This section largely builds on the analysis by Theodoropoulou (2023 and 2024).

Figure 1.13 Recommended fiscal adjustment for 2024 (Percentage points of GDP), EU Member States



Source: European Commission 2023c and 2023g.

### Key modifications to the preventive arm of the Stability and Growth Pact

The revised fiscal surveillance framework, especially the proposed regulation on the so-called ‘preventive arm’ of the Stability and Growth Pact, includes four important innovations vis-à-vis the existing rules.

#### Fiscal-structural plans

Firstly, each Member State, following a technical dialogue with the Commission, will have to submit a medium-term fiscal-structural plan (FSP). This document will spell out the Member State’s fiscal, investment and reform commitments, including those necessary to address recommendations related to the macroeconomic imbalances procedure, for four or five years, depending on the standard length of the national legislature. FSP duration (the so-called ‘adjustment period’) can be extended for up to a further 3 years (see below for the relevant conditions). Each FSP will be assessed by the European Commission and endorsed following its recommendation by the Council.

#### ‘Net expenditure’ as a single operational indicator for fiscal surveillance

Secondly, monitoring a Member State’s compliance with the fiscal rules will, for the duration of the adjustment period, focus on the evolution (or ‘path’) of the nationally-financed net primary government expenditure (for brevity, henceforth, ‘net expenditure’) and on any deviations from this path. Essentially, this path will set a series of annual ceilings for net expenditure. The net expenditure would be ‘net’ of discretionary revenue measures, expenditure on EU programmes co-financed or fully

matched by EU funds, while excluding cyclical unemployment expenditure, any one-offs or other temporary measures, and the interest that a government has to pay on existing debt (hence the ‘primary’). This net expenditure path will be detailed in each Member State’s FSP. The aim of this innovation is to shift the focus of fiscal surveillance to an observable variable within a government’s control and away from a structural budget balance.

#### Prior guidance by the European Commission: the reference trajectory of net expenditure

Thirdly, the European Commission will provide prior guidance to Member States regarding the underlying medium-term public debt projection framework and results, macroeconomic forecasts and assumptions, and the net expenditure path to be specified in their FSPs. For Member States whose public debt ratio exceeds 60% of GDP or whose budget deficit exceeds 3% of GDP, the net expenditure path proposed in the Commission’s prior guidance will be the so-called ‘reference trajectory’ covering an adjustment period of four years of an FSP and its possible extension by a maximum of three years. If a Member State wishes to propose a net expenditure path allowing for higher annual net expenditure ceilings than the reference trajectory, it will have to provide sufficient justification through sound analysis, forecasts and data for that path to be considered for positive evaluation by the Commission and endorsement by the Council.

Different for each Member State, the reference trajectory will have to fulfil certain requirements. First, it should ensure that, by the end of the adjustment period at the latest, the Member State’s public debt ratio will be on a



‘plausibly downward path’<sup>6</sup> or stay at a prudent level below the 60% reference value over the medium term, even if the Member State does not take any additional policy measures (the ‘DSA-based requirement’, (Darvas, Weslau and Zettelmeyer 2023, 4)), A second requirement is that the reference trajectory should reduce the projected general government budget deficit to max. 3% of GDP (or maintain it at this level) over the adjustment period and ensure that it remains under this value in the medium term, even if the Member State takes no additional fiscal policy measures (‘the deficit benchmark requirement’ (ibid. 2023, 4)).

A third requirement is that the evolution of net expenditure should be planned so that the fiscal adjustment effort (i.e., the change in the fiscal structural primary balance) is not delayed until the final years of the adjustment period (the ‘no backloading safeguard’, (ibid. 2023, p. 4)). A fourth requirement is that, if the budget deficit exceeds 3% of GDP for the years of the adjustment period, the reference trajectory should ensure that an annual adjustment of at least 0.5% of GDP in structural terms takes place (‘the excessive deficit’ safeguard, (ibid. 2023, 4)). This requirement is consistent with the Council’s proposal on the ‘corrective arm’ of the SGP (see below).

Furthermore, a ‘debt sustainability safeguard’ will apply to each Member State’s reference trajectory and a ‘deficit resilience safeguard’ to its net expenditure path in its FSP. The debt sustainability safeguard postulates that the reference trajectory should ensure that the public debt-to-GDP ratio of the concerned Member State should decrease on average by at least 1 percentage point per year for Member States with a public debt ratio greater than 90%; and by at least 0.5 percentage point per year for those with a ratio between 60 and 90%. The period to be used for calculating these minimum changes will begin either the year before the start of the reference trajectory or the year in which an excessive deficit procedure is expected to be abrogated, whichever occurs last. In practice, this would mean that the period for monitoring the compliance with this debt sustainability safeguard would only begin after Member States have reduced their budget deficits below 3% (Zettelmeyer 2023).

The aim of the ‘deficit resilience safeguard’ is to ensure that fiscal adjustment (i.e., is the

---

6. The conditions determining the plausibility of the downward path of a Member State’s public debt depends on risk-analysis on its evolution, hence, the ‘risk-based’.

increase in the structural primary balance) continues until a Member State reaches a deficit level providing a common resilience margin in structural terms of 1.5% of GDP relative to the 3% reference deficit. Specific to every Member State, this margin will ensure that, even if a negative shock occurs, the increase in the cyclical part of the budget balance (i.e., the increase in spending and fall in revenues due to the operation of automatic stabilisers such as expenditure on unemployment benefits and lower income tax revenues) would still not result in a headline deficit exceeding 3% of GDP. Additionally, the deficit resilience safeguard stipulates the minimum average annual rate of fiscal adjustment needed to reach that common resilience margin. For FSPs with a four-year adjustment period, the annual improvement of the structural primary balance needed to reach that margin should be 0.4% of GDP, whereas for FSPs where an extension of the adjustment period has been granted, this annual improvement should be to the tune of 0.25% of GDP.

Member States with a public debt ratio below 60% and a budget deficit below 3% may ask the Commission for technical information in the form of the structural primary fiscal balance necessary to ensure that their headline budget deficit stays below this threshold in the medium term, even if the Member State takes no additional fiscal measures. The net public expenditure path in its FSP would have to be consistent with that structural primary fiscal balance<sup>7</sup> and also with the aforementioned ‘deficit resilience safeguard’.

### Investment and reforms in fiscal-structural plans

In a nod to the notion that reforms and investment can have a positive impact on output growth and thus on public debt sustainability but also that they can be important for pursuing policy priorities other than fiscal sustainability, a fourth innovation of the revised SGP preventive arm is that each Member State, regardless of its debt ratio and/or public budget balance, will also include a set of reforms and investments in its FSP. The FSP will have to show how these address

---

7. The net expenditure path foreseen in the reference trajectory and/or eventually endorsed by the Council will correspond to (i.e., be suited to result in) a structural primary balance (i.e., a government budget balance, excluding cyclical revenues and expenditure, one-offs and interest payments) meeting the different requirements stipulated in the regulation on the preventive arm of the Stability and Growth Pact.



Member States will have to explain how investments and reforms will address a fair green and digital transition

the main challenges identified in the context of the European Semester and particularly the Country-Specific Recommendations issued by the Council to each Member State. Moreover, the FSP will have to explain how investments and reforms will address such common EU priorities as a fair green and digital transition (including consistency with the European Climate Law), social and economic resilience (including the European Pillar of Social Rights), energy security, and wherever necessary, the build-up of defence capabilities. The set of reforms and investment in the FSP should also be consistent with and complement planned reforms and investment to be financed by cohesion policy funds and the Member State's national Recovery and Resilience Plan (for the duration of the Facility).

A Member State may request that the baseline adjustment period of its FSP be extended by up to three years by proposing reforms and public investment for which it makes a case that, in addition to pursuing the above purposes, they will also enhance the country's growth and the resilience of its economy, support fiscal sustainability over the medium term, address the aforementioned common EU priorities, and ensure that the level of nationally-financed public investment for the duration of the FSP is no lower than the medium-term investment level before the beginning of the plan.

### Key modifications to the corrective arm of the Stability and Growth Pact

In tandem with the proposed changes to the preventive arm of the SGP, the Commission also proposed reforming its 'corrective arm', forcing Member States to correct their fiscal policies when not compliant with 'budgetary discipline' and generating 'excessive deficits'. The proposals would eliminate the Fiscal Compact's 1/20<sup>th</sup> rule<sup>8</sup> for Member States with public debt ratios exceeding 60% of GDP. Under the proposed reform, a ratio above 60% would only be considered as not sufficiently diminishing and not approaching the 60% reference value

8. Under this rule, a Member State's public debt ratio exceeding 60% would be considered sufficiently diminishing and approaching the reference value at a satisfactory pace when over the past three years it has been reduced by an annual average of 1/20<sup>th</sup> (or 5%) of the difference between the actual public debt ratio and the 60% reference value.

at a satisfactory rate (i.e., the Treaty definition of 'excessive public debt') if the Member State's net expenditure deviates<sup>9</sup> from the path set out in its Council-endorsed FSP and its budgetary position is not close to balance or in surplus. This operationalisation is intended to crucially link a Member State's compliance with the public debt fiscal rule with the insights of the Commission's DSA framework but also with the various benchmarks and applicable safeguards mentioned above.

Moreover, if a Member State is found to be in breach of the 3% budget deficit criterion, its 'corrective' net expenditure path should be set so that this *structural* deficit<sup>10</sup> is reduced by a minimum of 0.5% of GDP per year until the headline deficit falls below 3%. This requirement of reducing the budget deficit would be waived if, among others, a general or national escape clause has been activated.

In composing the report stipulated in TFEU Article 126(3), when a Member State is in breach of either the deficit or debt criterion, the Commission should consider as key relevant factors, among others, the degree of public debt challenges facing a Member State (in line with its Debt Sustainability Analysis framework), including contingent liabilities, rises in the cost of ageing, progress in implementing reforms and investments, and especially policies to implement the EU's common growth and employment strategy, with particular consideration given to financial contributions towards achieving the EU priorities mentioned above. In that sense, while social spending on pension systems would constitute an aggravating factor for recommending whether an Excessive Deficit Procedure should be opened, investment in implementing the European Pillar of Social Rights and the European Climate Law would seemingly be considered as mitigating factors.

9. If a Member State's public debt ratio exceeds 60%, the European Commission will prepare a report in accordance with article 126(3) of the TFEU if in addition to the aforementioned conditions, the deviations recorded in the control account exceed 0.3 percentage points of GDP annually or 0.6 percentage points of GDP cumulatively (Council of the European Union 2023, 14).

10. The text of the Council proposal does not specify the type of structural deficit upon which the 0.5% of GDP should apply (Council of the European Union 2023), (fiscal) adjustment is commonly measured by the change in the structural primary balance.

## Implications of the new elements of the fiscal rules for Social Europe

Given the political agreement between Council and European Parliament negotiators on the regulation reforming the preventive arm of the SGP and the expected consent of the European Parliament to the regulation reforming its corrective arm and the directive on Member States' fiscal frameworks, a preliminary assessment is possible. As far as the implications for Social Europe are concerned, three questions are important. First whether the emerging new rules are likely to generally constrain public spending in Member States. Second, whether, within the constraints of public spending that the new rules are likely to permit, social spending is sufficiently prioritised and social investment encouraged. And third, whether the new rules are likely to favour social player participation in economic governance.

### Balancing fiscal sustainability with the risk of austerity?

Firstly, the emerging rules would allow for some differentiation and tailoring in each Member State's fiscal adjustment path, depending on the conditions shaping the sustainability of its public debt over the medium term, as defined in the DSA framework used by the European Commission. This greatly contrasts with the mechanical public debt reduction rule prescribing a uniform annual rate of reduction (the notorious '1/20<sup>th</sup> rule') for all Member States with a public debt ratio exceeding 60% and should therefore make any fiscal adjustment somewhat milder.

Second, the fact that net expenditure will be the key surveillance indicator should make it easier for a Member State to comply with the rules. It should also simplify multilateral fiscal surveillance, making it more transparent, as the use of this indicator itself could, all other things being equal, reduce the procyclicality of national fiscal policies (Theodoropoulou 2023).

Third, the proposed rules aim to coordinate more closely the multi-lateral budgetary surveillance and macroeconomic imbalance procedures by incorporating and aligning the policy actions necessary to comply with their respective recommendations into a single national plan, the FSP. That should maximise synergies between preventing and correcting fiscal and other macroeconomic imbalances, which, as witnessed in the aftermath of the global financial crisis, can result in very painful and socially costly economic adjustments.

However, these improvements are subject to some important limitations.

First, there is a high risk that Member States will be forced into fiscal austerity (or pro-cyclical fiscal policy), i.e., budget cuts when their economies are slowing down or in recession, due to the 'excessive deficit safeguard'. Quantitative evidence by Zettelmeyer (2023) based on Darvas, Weslau and Zettelmeyer (2023) suggests that, under certain assumptions (including four of the criteria that net expenditure paths should fulfil), all but four Member States would on average have to increase their structural primary balances (that is, tighten their fiscal policies) every year between 2024 and 2028 (in the case of four-year adjustment periods), in some cases by over 1% of GDP. Given current macroeconomic and financial circumstances, it is not unlikely that a recession will occur during that four-year period. The fiscal adjustment that would require increasing structural primary balances would in most cases be dictated by DSA requirements.

Secondly, despite the stated necessity of ensuring 'an appropriate level' of public investment, the only condition in the agreed Regulation on the preventive arm regarding the level of nationally financed public investment is that it be 'no lower than the medium-term level before the period of that plan, taking into account the scope and scale of the country-specific challenges' (Council of the European Union 2024, 29) when a Member State seeks an extension of the adjustment period of its FSP. This is a potentially problematic requirement for several reasons.

Firstly, not all Member States may seek an extension of their adjustment period, meaning that this is not a general requirement. Secondly, the Regulation refers to 'levels' of nationally financed public investment, rather than investment as a share of GDP, which may not sufficiently sustain the pressure on Member State governments to maintain the public investment effort as an economy grows. Thirdly, setting the level of investment over the medium term (assuming that this is up to 10 years) before the launch of the FSP as a benchmark will mean that, at least for the 'first wave' of FSPs to be submitted in September 2024, the benchmark will be related to the period since 2014. In many parts of Europe, most notably the South, this period was characterised by mostly lacklustre public investment levels and growth (cf. Brasili et al. 2023), thus setting the bar for public investment in the first FSPs rather low and creating the risk of trapping these high-public-debt Member States in a low public capital stock trap.

All in all, therefore, despite declarations and calls in both Regulations to plan and report on public investment for pursuing common EU priorities, the Regulation on the preventive arm does not provide strong enough incentives and capacities for Member States to maintain nationally-financed public investment spending. This is especially true when one considers the growing rather than diminishing needs generated by the challenges lying ahead in view of ensuring a just twin green and digital transition, upward social convergence and geopolitical security.

### Insufficient safeguards for prioritising social spending and investment

The proposed rules acknowledge in principle and more broadly the need for public investment and reforms to meet important and specified challenges facing European economies and societies and to serve common EU priorities, while also contributing to public debt sustainability and correcting macroeconomic imbalances. Providing the possibility within the process of policy coordination to extend a Member State's adjustment period to allow more time to adjust on the basis of specified investment and reform programmes is also, in principle, a positive incentive.

Explicitly including references to a fair green and digital transition, social and economic resilience, and the European Pillar of Social Rights as common priorities that Member States' public investments and reform will have to address and requiring that FSPs explain how this will be done in the context of a European Semester where a Social Convergence Framework has been recently introduced for identifying risks are also to be viewed positively. In a similar vein, the Regulation on the corrective arm of the SGP states that particular consideration should be given to financial contributions to achieve the common EU priorities defined in the Regulation on the preventive arm as 'relevant [that is, mitigating] factors' when the Commission has to prepare a report on a Member State (under TFEU 126(3)) that may have breached the fiscal rules.

However, at its heart, multilateral surveillance and policy coordination as spelled out in the new SGP rules remain dictated by a narrowly defined fiscal sustainability paradigm whereby climate and social risks enter the sustainability assessment framework of analysis as 'contingent liabilities' for public finances. The Commission's reliance on the DSA framework for assessing the medium-term sustainability of public debt entails a continuing one-way view of the relationship between fiscal sustainability and climate and social risks. As Zettelmeyer's

(2023) analysis shows, this framework is likely to shape fiscal adjustment requirements for most Member States with public debt ratios exceeding 60%.

The potential impact of green and social investments on public debt sustainability is not featured in that framework, thus providing not only a limited focus on debt sustainability but also a limited perspective on its determinants. The likely result is that fiscal adjustment recommendations will be too tight to meet such social and green objectives. Moreover, there does not seem to be any consideration of the risks for fiscal sustainability incurred through failing to deliver the level of public investment necessary for managing the green and technological transition fairly. This imbalance is further buttressed by the absence of experts and stakeholders in the independent institutions – whether the European Fiscal Board or the national independent fiscal institutions – able to offer FSP opinions and assessments from a social and green perspective on an equal footing with fiscal policy experts (cf. Dawson 2023).

Additional public investment related to climate change and energy security alone to the average tune of 1.8% of GDP (2019) per year will be necessary in the EU for the period 2021-2030, without including any fiscal costs associated with making the transition a 'just' one (Baccianti 2022). Further investment equivalent to another 1.3% of GDP (2018 levels) will be needed annually until 2030 to close the investment gap in social infrastructure (Fransen, del Bufalo and Reviglio 2018) essential for building lifelong human capital (Hemerijck, Mazzucato and Reviglio 2022). Investment in these areas will have to be sustained and increased for decades in view of the EU's climate ambitions and such challenges as population ageing or higher defence spending.

Favourable provisions for investment spending on social objectives are bundled together with several other priorities to be covered by FSP investment programmes, without any clear and binding prioritisation of some over others. In that sense, FSPs could be favourably assessed for promoting priorities which are not necessarily social. At the same time, evidence from national Recovery and Resilience Plans seems to suggest that the extent of Member State eco-social policies including investments towards achieving green and social objectives is limited (Sabato and Theodoropoulou 2022) (Sabato and Mandelli 2023).

While building up reserves to allow robust fiscal policy support when a shock hits an economy is in principle a sound practice, it is not clear

how the optimal choice will be made between this need and other pressing policy challenges, especially as the reference value of 3% of GDP for budget deficits tips the policy scales in favour of fiscal savings. Indeed, there would seem to be no theoretical base for defining the sustainability of public finances.

### The role of social players

Last but not least, the input of the social partners and other social stakeholders in shaping the national FSPs is limited, whereas only fiscal/economic experts can participate in the European Fiscal Board, the institution that has a privileged advisory role vis-à-vis the Commission and the Council in the process of fiscal surveillance. As Dawson (2023) argues, if a real balance among fiscal, green and social objectives is to be established in the new economic governance framework, assessments and expert opinions feeding into the process should come from experts and/or representatives not just on fiscal matters but also on social and environmental/climate issues.

## The mid-term review of the EU budget

In June 2023, the European Commission published its proposals for a mid-term review, which effectively amount to a topping-up of the EU budget for the remaining years of the 2021-2027 period. Despite the extended financial capacity allocated to the current budget and its complementary recovery pillar (NextGenerationEU), this review became necessary due to several mounting challenges which have required and will continue to require further EU financing. These include the war in Ukraine following Russia's invasion, the energy and migration crisis that were partly a result of that war, and high inflation and high interest rates (Kowald, Pari and Gallo 2024). In February 2024, after agreement had been reached at Council level, the Council and European Parliament negotiators reached a political agreement on how to tackle the challenges.

Overall, the Commission proposed an increase in commitment appropriations of 65.8 billion euros for 2024-2027 plus another 33 billion euros as guarantees for loans to be taken up by Ukraine. Of these funds, 24.4 billion euros would be used to increase the spending ceilings for six out of seven EU budget headings and 5.5 billion euros to increase the envelope for two special instruments existing over and above

these budget headings, namely the Flexibility Instrument and the Solidarity and Emergency Aid Reserve (SEAR). In addition, two new special instruments would be established, namely the Ukraine Facility (for a total of 50 billion euros, namely 17 billion euros in grants and 33 billion euros in loan guarantees) and the European Union Recovery Instrument (estimated between 17 and 27 billion euros for 2024-2027) to finance the higher than predicted borrowing costs for the NGEU.

Of the proposed funds to increase the existing EU budget ceilings, 12.5 billion euros would be allocated to Heading 6 'Neighbourhood and the world' and Heading 2 'Migration' to help tackle, among other things, migration challenges, the process of emerging from wars and climate change. Another 10 billion euros would be allocated to Heading 1 (the Invest EU and Horizon lines thereof), Heading 3 (the Innovation Fund line) and Heading 5 (the European Defence Fund) with a view to setting up the Strategic Technologies for Europe Platform (STEP), whereas 1.9 billion euros would go to covering increased expenditure needs due to higher than predicted inflation under Heading 7 'Administration'.

Table 1.1 below shows the Commission's proposals, the amendments to these proposals proposed by the European Parliament, the amounts finally agreed by the European Council (to be voted in) as well as the budget lines whose commitments had to be reduced so as to finance part of the agreed funding increases (compiled by Kowald, Pari and Gallo 2024). A comparison of the proposed adjustments against those that were finally agreed, as well as the agreements reached regarding their financing, points to a major refocusing of challenges and priorities on security and defence and the management of migration flows. The only financing proposal that was upheld in its entirety in the final agreement was that relating to the Ukraine Facility, underlining the existential significance for the EU Member States (albeit not all of them) of keeping Ukraine on its European trajectory. The establishment of STEP, which seeks to support the acceleration of the EU's twin transition while regaining leadership in key sectors and maintaining jobs in a way that preserves the level playing field and thus cohesion within the EU, was allocated only 1.5 billion euros compared to the 10.5 billion euros originally proposed.

As the review of the EU economic governance draws to a close, providing a framework for national fiscal policies that appears less restrictive than the former fiscal rules but nevertheless imposes too many constraints to

Table 1.1 **Revision of EU budget-European Commission and European Parliament proposals, European Council agreement**

	MFF Revision (euros billion, current prices)		
	COM 6/23	EP 10/23	Eur Council 02/24
<b>Ukraine Facility - grants</b>	<b>17.0</b>	<b>17.0</b>	<b>17.0</b>
<b>Strategic Technologies for Europe Platform (STEP)</b>	<b>10.0</b>	<b>13.0</b>	<b>1.5</b>
H 1 - InvestEU	3.0	4.2	0.0
H 1 - Horizon Europe	0.5	1.3	0.0
H 3 - Innovation Fund	5.0	5.0	0.0
H 5 - European Defence Fund	1.5	2.5	1.5
<b>Migration and external challenges</b>	<b>15.0</b>	<b>19.0</b>	<b>9.6</b>
H 4 - Migration	2.0	3.0	2.0
H 6 - External action	10.5	11.5	7.6
Solidarity and Emergency Aid Reserve (SEAR)*	2.5	4.5	0.0
<b>Inflation and borrowing cost</b>	<b>20.8</b>	<b>20.8</b>	<b>0.0</b>
H 7 - Administration	1.9	1.9	0.0
EU Recovery Instrument (EURI)	18.9	18.9	0.0**
<b>Flexibility Instrument</b>	<b>3.0</b>	<b>6.0</b>	<b>2.0</b>
<b>Solidarity and Emergency Aid Reserve (SEAR)*</b>	<b>0.0</b>	<b>0.0</b>	<b>1.5</b>
<b>Increases</b>	<b>65.8</b>	<b>75.8</b>	<b>31.6</b>
Horizon Europe			-2.1
EU4Health			-1.0
Cohesion/CAP centrally managed programmes			-1.1
Heading 6			-4.6
Brexit Adjustment Reserve			-0.6
European Globalisation Adjustment Fund			-1.3
<b>Decreases</b>			<b>-10.6</b>
<b>Total EU budget (incl. Ukraine Facility - grants)</b>	<b>65.8</b>	<b>75.8</b>	<b>21.0</b>
<b>Ukraine Facility - loans</b>	<b>33.0</b>	<b>33.0</b>	<b>33.0</b>

\* The European Commission and the European Parliament suggested an increase of SEAR to cover needs related to migration and external challenges, while the European Council does not specify its use.

\*\* Cascade mechanism.

Source: Kovald, Pari and Gallo (2024:5)

allow the challenges of a just twin transition (green and digital) to be met successfully, it has been suggested that these challenges should instead be tackled through an EU fiscal capacity. Moreover, as the RRF currently covers a significant chunk of national spending on investment, questions have been raised as to whether a number of Member States with high public debt ratios will be able to maintain the required level of spending after 2027, when the RRF funding will expire. However, the EU budget review that is currently coming to an end suggests that, at present, Member States – whose national public budgets have come under increased pressure looking back at the cascading crises they have had to tackle, but also looking ahead to the deactivation of the general escape clause – have been reluctant to commit fresh funds and have instead opted for the redeployment of funds from research and cohesion budget lines.

# Conclusions

As we are approaching the end of this term, we observe, on the one hand, a significant (though not complete) reversal of ideas and patterns in macroeconomic policy-making and EU frameworks compared to the pre-crisis period, and, on the other hand, developments that are too slow given the challenges facing the EU in terms of engineering a just green and digital transition.

The newly agreed rules for the EU's fiscal surveillance are likely to disappoint. While providing some improvement over the currently suspended rules, by allowing Member States more tailored-made fiscal adjustment, the new rules continue to incorporate unduly stringent 'safeguards' likely to undermine this flexibility. They are thus also likely to create pressure on Member State public investment and/or to pit it against current public spending, part of which concerns social benefits and services. This points to some backtracking among Member States in favour of fiscal sustainability at the expense of more space for governments for the handling of common EU priorities such as climate change and social resilience. It would appear that the review of the EU's fiscal rules will turn out to be a missed opportunity for achieving a more meaningful balance between fiscal, green and social objectives in the area of multilateral surveillance and coordination of economic, employment, structural and social policies.

Looking ahead, living up to the growing EU social aspirations and ambitions of recent years would require making the most of the emerging economic governance framework. The new focus on 'net expenditure' in fiscal surveillance allows some leeway to Member States for increasing taxation to finance just green and digital transition. Steps have been taken in launching the Social Convergence Framework within the European Semester to provide more focused assessment of risks to upwards social convergence. The Informal Working Group on Social Investment established by the Spanish and

Belgian Council Presidencies has been working on providing evidence on social investment and its potential returns at the macroeconomic and social levels and how these could be better defined and tracked, and ultimately contribute to economic growth and debt sustainability. The insights from this Group's work could help Member States make strong case for social investment in view of implementing the EPSR in their FSPs. The findings of that Working Group will be discussed at a 'jumbo' EPSCO-ECOFIN Council meeting in March 2024, and work on the topic will continue until June 2024 with a view to the adoption of Council conclusions in the same month. This could be a first step for the better alignment of fiscal and social objectives within the parameters of the new economic governance rules.

The debate on the next EU MFF will have to begin in 2025. As national fiscal spending capacity continues to be restricted, a way forward for addressing the common EU priorities would be to enhance the EU fiscal capacity. The definition of 'net expenditure' in the new fiscal rules, excluding expenditure on EU co-financed programmes or fully matched by EU funds, seems to generate incentives for Member States to create fiscal capacity at the EU level for common priorities, including by following up on the RRF which is due to expire in 2026. While EU funding could ease fiscal constraints especially on highly indebted Member States, the conditions for its use should also seek to address the need to integrate more closely climate and social objectives to achieve a better balance between fiscal, climate and social objectives.

There is a very real threat that any appetite to ensure a balance between fiscal, climate and social objectives might be tempered as policy priorities shift towards ramping up defence capabilities under the pressure of new circumstances, most notably the war on European territory and broader geopolitical challenges.

# References

- Alvarez J. et al. (2022) Wage-price spirals: what is the historical evidence ?, Working 2022/221, International Monetary Fund. <https://www.imf.org/en/Publications/WP/Issues/2022/11/11/Wage-Price-Spirals-What-is-the-Historical-Evidence-525073>
- Baccianti C. (2022) The public spending needs of reaching the EU's climate targets, in Cerniglia F. and Saraceno F. (eds.) *Greening Europe: 2022 European Public Investment Outlook*, Open book Publishers, 107-128. <https://doi.org/10.11647/OBP.0328>
- Brasili A. et al. (2023) Europe, in Cerniglia F., Saraceno F. and Watt A. (eds.) *Financing investment in times of high public debt: 2023 European investment outlook*, Open book Publishers, 15-34. <https://doi.org/10.11647/OBP.0386>
- Claeys G., MacCaffrey C. and Weslau L. (2022) Does inflation hit the poor hardest everywhere?, *Bruegel Blog*, 28.11.2022.
- Council of the European Union (2023) Proposal for a Council Regulation amending Regulation (EC) no 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure--agreement in principle with a view to consulting the European Parliament
- Council of the European Union (2024) Proposal for a Regulation of the European Parliament and of the Council on the effective coordination of economic policies and multilateral budgetary surveillance and repealing Council Regulation (EC) 1466/97--confirmation of the final compromise text with a view to agreement
- Darvas Z., Weslau L. and Zettelmeyer J. (2023) A quantitative evaluation of the European Commission's fiscal governance proposal, Working paper 16/2023, Bruegel.
- Dawson M. (2023) How to democratise Europe's fiscal rules: proposals for reforming the EU's economic governance package, Study, Friedrich Ebert Stiftung. <https://library.fes.de/pdf-files/international/20555.pdf>
- Eurofound (2018) Upward convergence in the EU: concepts, measurements and indicators, Publications Office of the European Union. <https://data.europa.eu/doi/10.2806/68012>
- European Commission (2023a) Annexes to the Proposal for a Regulation of the European Parliament and of the Council on the effective coordination of economic policies and multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97, COM (2023) 240 final, 26.04.2023.
- European Commission (2023b) European economic forecast autumn 2023, Institutional Paper 258, Publications Office of the European Union. <https://data.europa.eu/doi/10.2765/325116>
- European Commission (2023c) Commission staff working document. Fiscal statistical tables providing relevant background data for the assessment of the 2024 draft budgetary plans, SWD (2023) 951 final, 21.11.2023.
- European Commission (2023d) Proposal for a Council Regulation amending Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure, COM (2023) 241 final, 26.04.2023.
- European Commission (2023e) Proposal for a Council Directive amending Directive 2011/85/EU on requirements for budgetary frameworks of the Member States, COM (2023) 242 final, 26.04.2023.
- European Commission (2023f) Proposal for a Regulation of the European Parliament and of the Council on the effective coordination of economic policies and multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97, COM (2023) 240 final, 26.04.2023.
- European Commission (2023g) Commission staff working document. Fiscal Statistical Tables providing background data relevant for the assessment of the 2023 Stability or Convergence Programmes, SWD (2023) 601-627 final, 24.05.2023.
- Fransen L., del Bufalo G. and Reviglio E. (2018) Boosting investment in social infrastructure in Europe. Report of the High-Level Task Force on investing in social infrastructure in Europe, *European Economy - Discussion Paper 74*, Publications Office of the European Union. <https://data.europa.eu/doi/10.2765/794497>
- Goutsmedt A. and Fontan C. (2023) The ECB and the inflation monsters: strategic framing and the responsibility imperative (1998–2023), *Journal of European Public Policy*, Online first. <https://doi.org/10.1080/13501763.2023.2281583>
- Hemerijck A., Mazzucato M. and Reviglio E. (2021) Social investment and infrastructure, in Cerniglia F. and Saraceno F. (eds.) *A European Public investment outlook*, Open book Publishers, 115-134. <https://books.openedition.org/obp/13507>
- Kowald K., Pari M. and Gallo R. (2024) First-ever revision of the EU's long-term budget, agreement between Parliament and Council, Briefing European Parliamentary Research Service. [https://www.europarl.europa.eu/RegData/etudes/BRIE/2024/757651/EPRS\\_BRI\(2024\)757651\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2024/757651/EPRS_BRI(2024)757651_EN.pdf)
- OECD (2023) OECD energy support measures tracker. <https://www.oecd.org/economy/oecd-energy-support-measures-tracker/#:~:text=The%20OECD%20Energy%20Support%20Measures%20Tracker%20aims%20to%20take%20stock,of%20the%20associated%20budgetary%20costs.>
- Sabato S. and Mandelli M. (2024) Towards an EU framework for a just transition: welfare policies and politics for the socio-ecological transition, *European Political Science*, 23, 14-26. <https://doi.org/10.1057/s41304-023-00458-1>



- Sabato S. and Theodoropoulou S. (2022) The socio-ecological dimension of the EU's recovery: further traction for the European Green Deal? in Vanhercke B., Sabato S. and Spasova S. (eds.) Social policy developments in the European Union: state of play 2022: Policymaking in permacrisis, OSE and ETUI, 43-67.
- Theodoropoulou S. (2023) The European Commission's legislative proposals on reforming the EU economic governance framework: a first assessment, Policy Brief 2023.04, ETUI.
- Theodoropoulou S. (2024) Debating the reform of the EU's economic governance: implications for Social Europe, in Vanhercke B., Sabato S. and Spasova S. (eds.) Social policy developments in the European Union 2023, OSE and ETUI.
- Zettelmeyer J. (2023) Assessing the ECOFIN compromise on fiscal rules reform, Bruegel. <https://www.bruegel.org/first-glance/assessing-ecofin-compromise-fiscal-rules-reform>

All links were checked on 29.02.2024

# 2. Labour market and social developments in the EU: the quest for strong jobs recovery



Wouter  
Zwysen



Kalina  
Arabadjieva



Pierre  
Bérastégui



Bianca Luna  
Fabris



Agnieszka  
Piasna



Silvia  
Rainone

Cite this chapter: Zwysen W., Arabadjieva K., Bérastégui P., Fabris B.L., Piasna A. and Rainone S. (2024) Labour market and social developments in the EU: the quest for strong jobs recovery, in Piasna A. and Theodoropoulou S. (eds.) Benchmarking Working Europe 2024, ETUI and ETUC.

## Topics

Introduction	53
Labour market trends	55
Employment arrangements and job quality	65
Selected recent developments in relation to Social Europe	74
Conclusions	82



This chapter provides new and detailed evidence pertaining to the quality of jobs across the EU

# Introduction

The European Union went through an eventful year in 2023: recovery from the Covid-19 pandemic, the lingering cost-of-living crisis and the ongoing Russian invasion of Ukraine. Recent years have also seen an expansion of Social Europe based on the principles of the 2017 European Pillar of Social Rights, with the unprecedented flow of investments and reforms fuelled by the recovery assistance granted under NextGenerationEU and aided by the temporary loosening of the EU fiscal framework allowing more space for public spending. These three trends have put social issues more squarely at the centre of the European Union's agenda, as well as providing funds to act on them.

Developments and trends on the European labour markets must be interpreted against the backdrop of the recovery from the post-financial crisis recession, which was then interrupted dramatically by the Covid-19 pandemic. This recovery has actually led to a sizeable growth in the demand for labour, with shortages now emerging as the major problem (Causa et al. 2022; Zwysen 2023a). While employment rates are high, the question is whether the jobs are also of sufficient quality.

At the same time, the European labour markets face substantial long-term challenges in the form of three transitions: the green transition, which requires decarbonisation of the economy, the digital transition, which transforms jobs and threatens to destroy jobs for more vulnerable workers while at the same time creating opportunities (Acemoglu and Restrepo 2020; Dauth et al. 2021), and the demographic transition, as the European population ages. Each of these has profound effects on the labour market, although these impacts differ strongly between countries, regions and especially sectors.

The key issue addressed in this chapter is therefore the way in which recent reforms and this changing context have affected social outcomes and divisions in Europe. This chapter takes stock of trends on the labour market and developments in relation to Social Europe over time, from a variety of different angles. There is some positive news, as employment rates in Europe are at a high, while unemployment rates are low. There is also some indication of convergence between the EU Member States and between their regions, with the more-disadvantaged regions and countries catching up. This first section also addresses recent developments in migration and intra-EU mobility.

After describing the trends referred to above, the chapter then analyses several issues in more depth: the platform economy and developments relating to the Platform Work Directive, the extent to which the European Pillar of Social Rights has fulfilled its promises, and an overarching assessment of the social and labour policy direction set by EU economic and social governance in the context of the European Semester.

While there has been sizeable job growth, job quality remains a challenge. This chapter addresses this issue, firstly, by describing trends in relation to non-standard work arrangements and, secondly, by considering in detail the performance of the EU Member States concerning different dimensions of job quality. This reveals that there are still very sizeable differences within the EU by country, but also by gender and by sector, with significant room for improvement. One key aspect of job quality presented here that is not always considered as much as it should be is the extent to which poor job quality entails health risks for workers. Psycho-social work factors can impose a heavy health burden, as indicated by the high morbidity and mortality attributable to these exposures.

The third section of this chapter then considers in more detail how European policy-making has changed, and in particular the influence that the EPSR has had on directives and regulations in the social sphere. We delve deeper into platform work and consider the Platform Work Directive. While, in principle, the Pillar enshrines equal opportunities,



Employment rates in Europe are at a high, while unemployment rates are low

access to the labour market, fair working conditions and social protection and inclusion, it is far from clear that progress has, in fact, truly been made (Rainone and Aloisi 2021; Vanhercke et al. 2023). Since the EPSR, a number of new directives and regulations have been adopted that build further on it, and it is now possible to offer a first evaluation of these ‘children of the Pillar’. More specifically, we take stock of the different ways in which the need for minimum income protection has been taken on board in European policies and communications. Finally, the new economic governance is considered in more detail.

This Benchmarking Working Europe edition also marks 20 years since the milestone of the EU’s eastwards enlargement in 2004. With that anniversary in mind, it is all the more important to compare how the objectives of access to high-quality work and social protection for all are achieved in the different countries of the Union.

# Labour market trends

## Employment trends by country

The employment rate across the EU27 has been on a constant upward trajectory since around 2014, when 62.9% of the working-age population (15-64) across the EU was employed, as shown in Figure 2.1. By the final quarter of 2019, there had been a steady rise to 68.3%, but the impact of the Covid-19 pandemic is clearly visible in the data, since the employment rate then declined to 66.1% in the second quarter of 2020. While this percentage drop may not seem very large, it means that over 5.7 million Europeans dropped out of work. Yet the recovery commenced very soon after the onset of the pandemic, and the employment rate had already reached 68.8% by the third quarter of 2021, or in other words above what it had been at the end of 2019. By the end of 2022, the proportion of the working-age population in employment peaked at 70%.

Two key trends made significant contributions to this rising employment rate. Firstly, the employment rate of women steadily caught up with that of men over time. Whereas, in the second quarter of 2009, the employment of women and men was 57% and 69% respectively, by the second quarter of 2023 this had increased to 66% and 75% respectively, or in other words

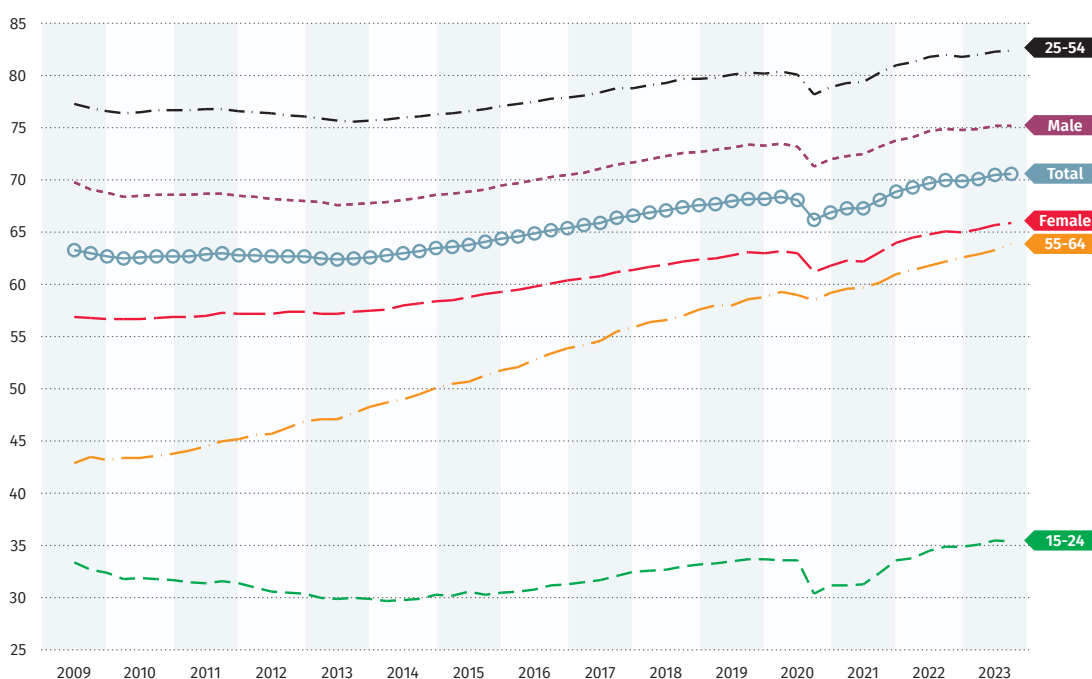
an increase of 9 percentage points for women versus 6 percentage points for men.

Secondly, there has been a marked increase in the employment rate of older workers (aged 55-64). In the second quarter of 2009, 43% of older workers were employed, but by 2023 this had risen by 21 percentage points to 64%. By contrast, the rise in the employment rate for workers aged 25-54 changed by 5 percentage points, from 77% to 82%, over the same period. Interestingly, there was also much less of a drop in the employment rate for the older age group during the pandemic than for younger workers, suggesting that their jobs were less at risk.

Europe faces a rapidly ageing population. Whereas, in 2002, 26.6% of the population aged 15-74 was older than 55, by 2022 the same figure had reached 33.4%. At the same time, the share of young workers (15-24) declined from 16.7% in 2002 to 14.0% in 2022. This demographic transition has many repercussions for society, because it increases the need for care and may affect social security systems, yet it will also have an enormous impact on the labour market (Eurostat lfsa\_pganws).

The demographic transition has engendered much debate and unrest regarding retirement

Figure 2.1 Rising employment rates across the EU



Source: Eurostat (lfsi\_emp\_q).

ages. There has been a rise in the official retirement ages, from an average of 62.9 for men in the EU countries that are part of the OECD in 2010 (OECD 2011) to 64.4 by 2020 (OECD 2021b). Although gender differences in retirement ages are reducing, in some countries (e.g. Austria, Hungary, Lithuania, Poland and Switzerland), the retirement age for women still lies somewhat (between one and five years) below that of men (OECD 2023). Countries have also aimed to reduce the number of those taking early retirement, although this is naturally a highly complex issue affected by many different developments such as sectoral trends, the sustainability of public finance (which is often invoked as a reason to increase retirement ages), variation and changes in healthy life years (a factor which also differs greatly between countries) and socio-economic circumstances. The latter is a particularly important point, since rising longevity is very stratified, and socio-economic inequality is pronounced, especially in terms of healthy years. Crucially, any changes to retirement ages also require sustainable jobs that make it possible for workers to remain in the labour market longer, by providing healthy and safe work environments and often reduced or flexible working hours (Eurofound 2017).

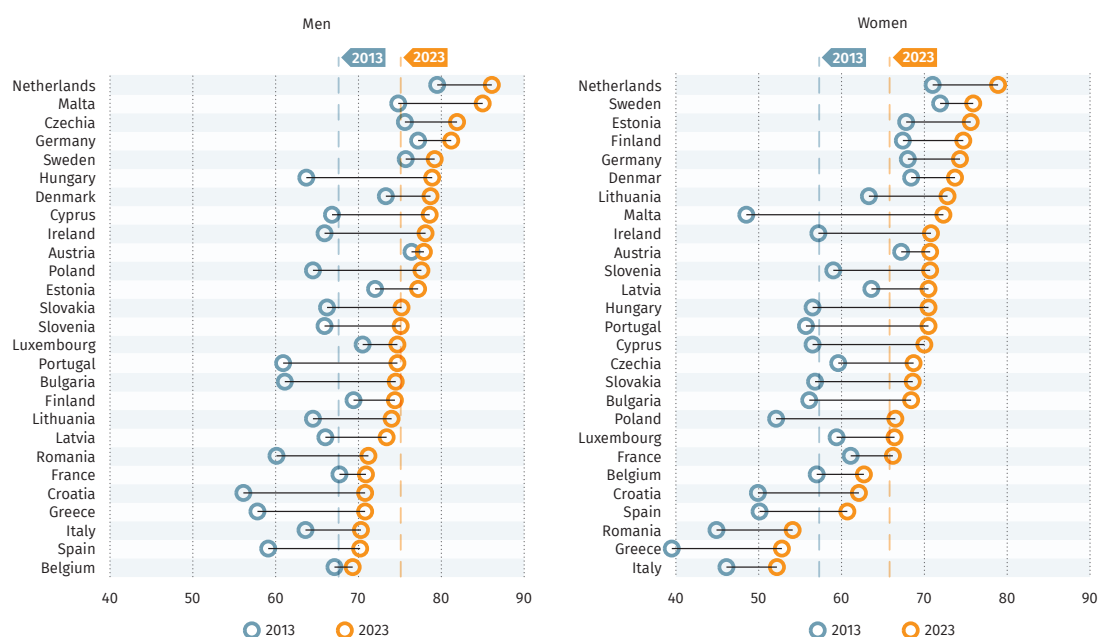
Figure 2.2 highlights the substantial differences between countries in the level of employment and the changes over time. Employment rates were highest in the Netherlands in the second quarter of 2023, for both men and women, and

among the lowest in neighbouring Belgium, especially for men. Employment rates also tended to be low for men in Spain, Italy, Greece, Croatia, France and Romania, and for women in Italy, Greece, Romania, Spain, Croatia and Belgium, followed by France which was average for the EU. Generally speaking, employment rate rankings were fairly consistent for both men and women.

Employment rates increased in all countries between 2013 and 2023 (second quarter in each case), although the extent to which they rose differed. Broadly speaking, there was a negative relationship between employment rates in the second quarter of 2013 and changes between 2013 to 2023 (second quarter in each case), with a correlation of 0.57 for women and 0.71 for men, across countries. This implies a certain amount of convergence over time, as those countries with relatively lower employment rates initially saw a greater increase over time.

The large increase in women's labour market participation was also due, in particular, to countries that were well below the average employment rate for women in 2013 catching up; this included Malta, Hungary, Portugal, Poland and Croatia, but also Greece and Spain. Despite some improvement, women's participation remained very low in Italy, Romania and Greece. As shown in Figure 2.2, there is still a wide divide between the countries in the EU in terms of gender gaps in employment. There continues to

Figure 2.2 Changes in employment rate between men and women



Note: Employment rate for the population aged 15-64 in the second quarter of 2013 and 2023; data sorted by level of employment rate in the second quarter of 2023. Dashed lines indicate the EU27 average.  
Source: Eurostat (lfsi\_emp\_q).

be much less variation in male employment rates between countries, with the difference between the highest (Netherlands: 86.1%) and the lowest (Belgium: 69.3%) standing at 16.8 percentage points, than between female employment rates, where the difference between the highest (Netherlands: 78.9%) and lowest (Italy: 52.5%) stands at 26.7 percentage points.

## Sectoral employment trends

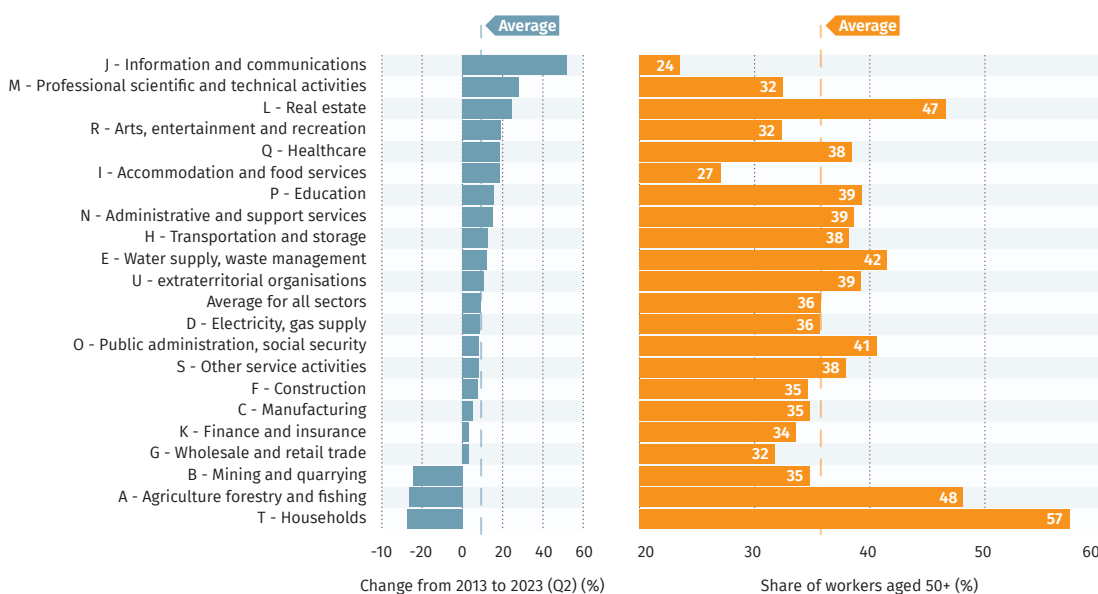
While the labour market is doing well as part of the recovery, this is an era of major transitions, which differ strongly in their impact by sector. The green transition and the shift from more to less polluting industrial activities will involve a strong decline in sectors based on polluting economic activities, or in other words brown jobs (Bowen and Hancké 2019; Vandeplas et al. 2022), and a growth or change in jobs that contribute to the green and renewable economy (Vona 2021; 2022). Digitalisation will also have a very different impact on the various occupations and sectors, depending on the investments made in new technologies and the scope for automation and digital technology. Thirdly, the age profiles of workers in industries can differ greatly, with certain sectors seeing a more rapidly ageing workforce.

The left-hand panel of Figure 2.3 shows the changes in the employment rate of workers in different sectors across the EU27 over the past 10 years, from the second quarter of 2013 to the second quarter of 2023. The right-hand panel shows the share of older workers (aged 50+) in

each of these sectors. On average, the number of individuals employed increased by 9% across the EU27, evidencing the rising employment rate across countries and the tight nature of the current labour market. This increase differs greatly between industries, however. The absolute winner in terms of job growth is the information and communication sector (J) which became half as large again over the past 10 years (a 52% increase). This is followed by professional, scientific and technical activities (M) and real-estate activities (L) which grew by 25% and 28% respectively. On the other hand, employment shrunk substantially in agriculture, forestry and fishing (A), mining and quarrying (B), and activities of households as employers or own production (T). Employment grew much less rapidly in financial and insurance activities (K) and wholesale and retail trade, repair of motor vehicles and motorcycles (G), which both grew by 3%, and manufacturing (C), which grew by 5%.

The sectors that saw large decreases also generally have a higher than average share of older workers in relative terms, with a correlation of 0.37. The growing sectors of information and communications and professional, scientific and technical activities have relatively young workforces, as do accommodation and food service activities and arts, entertainment and recreation, whereas the sectors seeing a decline in employment (mining, agriculture and work for households) have older workforces, relatively speaking. This is likely to mean that these sectors may decline further in the future, as they seem to have difficulty in attracting younger workers.

Figure 2.3 Changes in sectoral employment from 2013 to 2023 and share of workers aged 50+ in 2023



Note: Relative change in employment among workers aged 15-64 from 2013 to 2023 (second quarter in both years) as a percentage (left), and share of workers aged 50+ as a proportion of the whole workforce in 2023 (right). The dashed line refers to the average across the EU27 for all sectors.  
Source: Eurostat (lfsq\_egdn2).



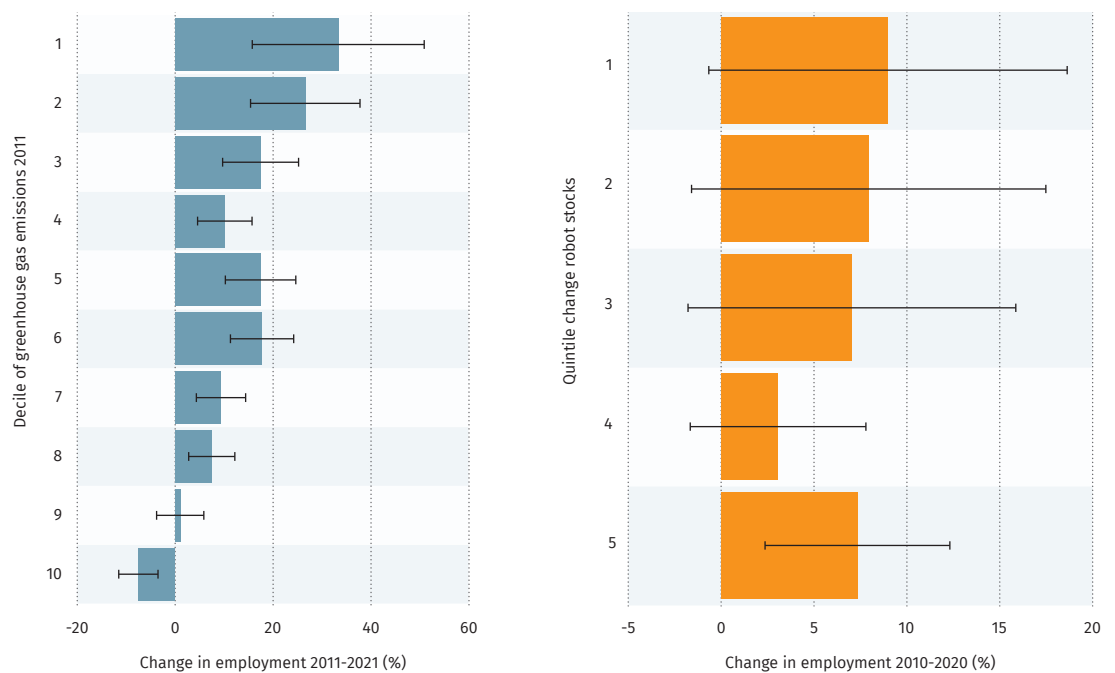
The ageing workforce is contributing to an overall rise in the demand for labour, which became particularly acute across many sectors following the Covid-19 pandemic (Causa et al. 2022; Zwysen 2023a). Such shortages are now heavily present in a large range of jobs with a variety of skills requirements and appear to be consistent across EU countries as well as globally, meaning that increased labour mobility does not seem to provide an answer (European Labour Authority 2023). Such shortages can, however, also provide opportunities for workers, since they are associated with greater wage gains and better conditions as employers compete for workers (Aeppli and Wilmers 2022; Zwysen 2023a).

Sectoral trends in employment also partly reflect the challenges that Europe is currently facing with respect to the decarbonisation of the economy and the digital transition, referred to as the ‘twin transitions’ because of their interdependency. Firstly, the economy needs to decarbonise in order to remain sustainable and within planetary boundaries, entailing a shift away from polluting jobs. Although it is more or less speculative how many jobs will be affected by the green transition, most estimates put the amount of truly polluting jobs in Europe at around 5% (Vona 2021; Vandeplass et al. 2022). While this is a relatively low figure, the expectation is that the majority of jobs not

directly affected will be reformed in some way in terms of their methods of production or tasks. Of course, these jobs are also heterogeneous and the activities may still persist in the green transition, but they are likely to experience substantial changes. What remains unclear is the extent to which the new jobs created will be of sufficient quality, even if net job loss is to be minimised. A recent report by Eurofound (2022) points out that the green transition will also increase demand for many tasks that are often associated with lower quality in terms of working conditions. On the other hand, some of the green jobs will generally require high technical skills, and research by Cedefop (2022) indicates that the green transition may offer an opportunity to upskill jobs, providing new opportunities for technical and vocationally schooled workers. This transition is discussed in much more detail in Chapter 4 of this volume of *Benchmarking Working Europe*.

Figure 2.4 illustrates the link between sectoral employment and decarbonisation by showing the average relative change in specific industries within countries based on their global warming potential, as measured by the emission of greenhouse gases in 2011. This historical emission is taken as an indication of how ‘green’ a certain industry was, and whether that affects subsequent growth. This shows that the sectors that were among the top 10% of emitters in

Figure 2.4 **Change over time by greenhouse gas emissions (left) and by stocks of robots (right)**



Note: Relative change in employment (%) from 2011 to 2021 for workers aged 15-64 for the combination of the EU27 countries plus Switzerland, Iceland, Norway and the United Kingdom, and industry, by deciles of greenhouse emissions in 2011 where the first decile contains the 10% of country-industry groups with lowest emissions, and the 10<sup>th</sup> decile the 10% with highest emissions; and change from 2010 to 2020 by quintile of change in robot stock over the same period where the lowest quintile contain the 20% country-industries with the lowest change in robot stock and the 5<sup>th</sup> quintile the 20% with the highest change in robot stock, for manufacturing and industry (right).  
Source: International Federation of Robotics 2021, and Eurostat (env\_ac\_ainah\_r2, ifsa\_egan22d).

“  
Employment  
dropped  
in more  
polluting  
sectors

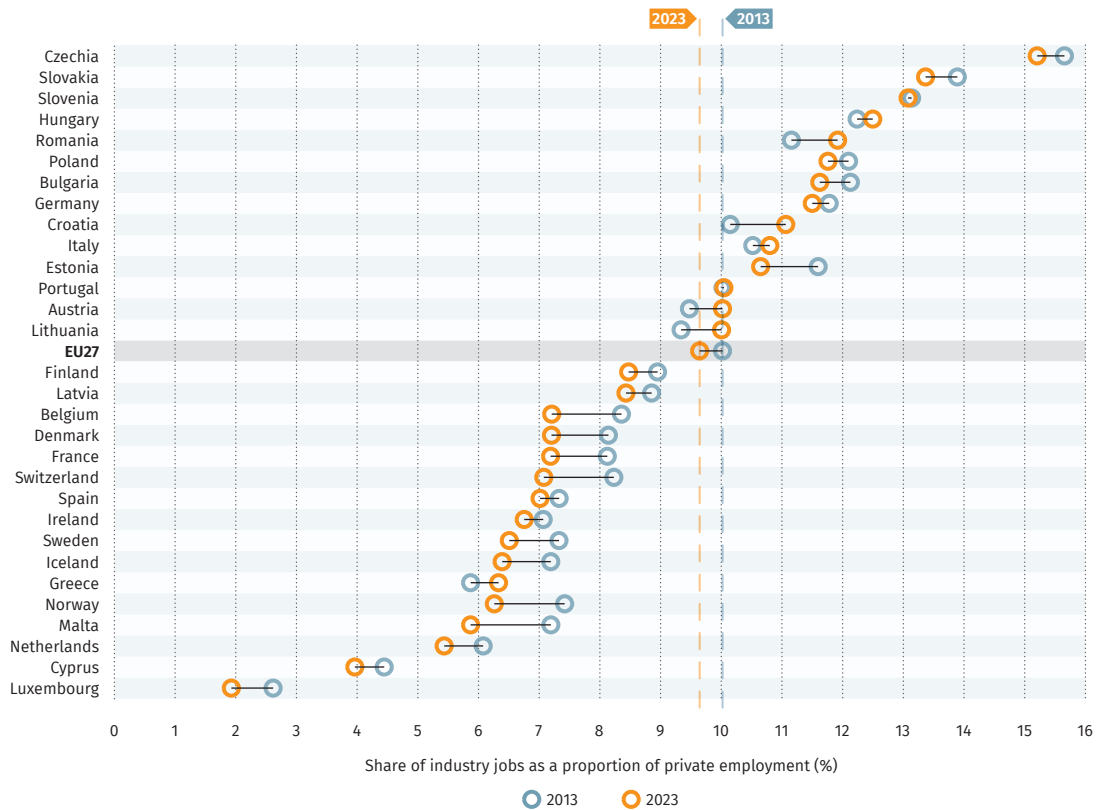
the European countries saw the most sizeable decline in employment on average, followed by the sectors that were among the top 20% of emitters. On the other hand, employment grew most in the relatively cleaner sectors that emitted the fewest greenhouse gases. This therefore supports the idea that some of the changes across sectors are attributable to the green transition.

Secondly, new technologies are being introduced at an ever faster rate. It was predicted that the introduction of computers and digitalisation to the world of work would lead to some jobs being replaced, particularly the lower-skilled or more routine, while the higher-skilled tasks that were complemented by the increase in productivity would be supported (Autor et al. 2003; Goos et al. 2014). Then came a wave of automation, with a major increase in the use of task-automating industrial robots, which have spread through the various sectors. The evidence generally points to an increase in productivity, but is somewhat mixed in terms of employment, with studies finding either no negative impact (Dauth et al. 2021) or some reduction, particularly for routine jobs (Acemoglu and Restrepo 2020). One of the clearest ways in which new technologies affect the labour market is the growth of digital

platforms mediating labour. Most recently, there has been a sharp rise in the availability of relatively low-cost AI, which will affect many more jobs, since it can also replace tasks that are less routine and more cognitive or abstract that, until now, were generally the domain of skilled workers. A recent report by the ILO estimates that around 5.5% of total employment in high-income countries like those in the EU will potentially be exposed to automation effects, while there is a much higher potential for augmentation (Gmyrek, Berg and Bescond 2023). Although still very uncertain, the scope for impact is likely to be large. A recent report on the OECD survey on AI for workers and employers contains generally positive evaluations about how AI can affect performance and working conditions, but also concerns about how it will be implemented and the impact on work conditions as well as possible displacement effects (Lane et al. 2023).

As far as digitalisation is concerned, the right-hand panel of Figure 2.4 shows changes in the employment rate for specific sectors in industry against the intensity of robot installations in the same decade. There is no clear relationship between changing investment in robotisation and changes in the proportion of employment over time, although there seems to be some

Figure 2.5 Share of industry jobs as a proportion of private employment (%)



Note: Share of industry jobs (mining and quarrying, manufacturing, energy) as a proportion of all jobs except public administration, education and healthcare in 2013 and 2023 (second quarter in both years), for the population aged 15-64.  
Source: Eurostat (lfsq\_egdn2).

indication of larger growth overall in less-automating sectors.

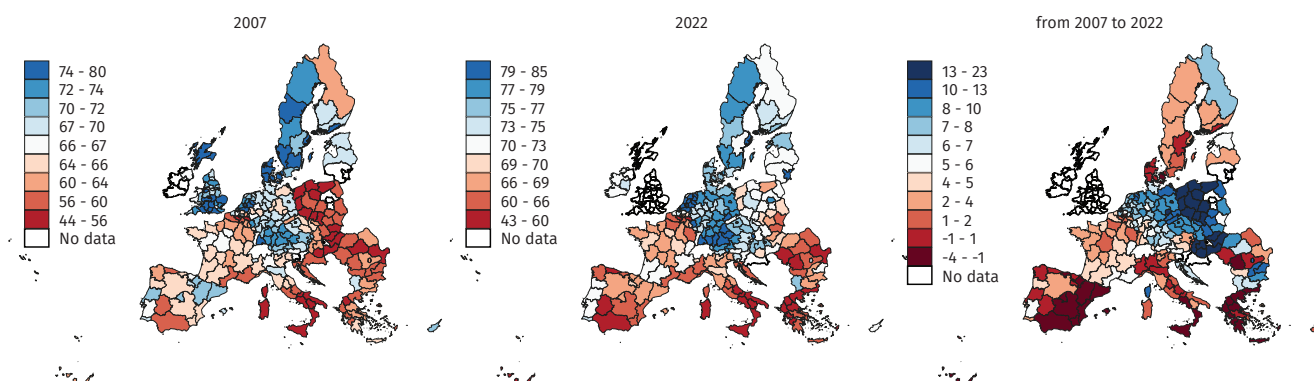
The changes over time also indicate a further, albeit modest, decline in the industrial sector within Europe. Figure 2.5 shows the change in the share of workers in the industrial sectors – mining and quarrying, manufacturing, and electricity, gas, steam and air conditioning supply – as a proportion of all the sectors except public administration and defence, compulsory social security, education, and human health and social work activities. Overall, there was a modest decline of around half a percentage point between 2013 and 2023 (second quarter in both cases) in the share of workers in industrial jobs. This conceals considerable variation, however. Firstly, the share of workers in industry grew only in Romania, Croatia, Austria, Portugal, Lithuania and Greece. Secondly, there was a sizeable difference between the different countries in Europe, with industry being most important in Czechia (15%), followed by Slovakia (13%), Slovenia (13%), Hungary (12%) and Romania (12%), and then Poland (12%), Bulgaria (12%) and Germany (11%). It follows that industry is much more important than the services sector in central and eastern Europe (12% on average in the post-2004 Member States, with the exception of Malta and Cyprus) than in the older Member States (8%). Germany and Italy still have the highest employment shares in industry (11%) of the Member States that joined prior to 2004. On the other hand, industry and manufacturing has reduced greatly in importance in Luxembourg (2%), Cyprus (4%) and the Netherlands (5%), followed by Malta (6%), Norway (6%), Greece (6%), Sweden (6%), Iceland (6%) and Ireland (7%). This therefore shows that there are wide gaps between the European countries in terms of the extent to which they focus on services or industry.

## Regional employment and long-term cohesion

In most of this chapter, we describe the situation at country level. This approach conceals significant variation, however, as shown in Figure 2.6. In countries with more than one regional subdivision, the average range between the highest employment rate and lowest employment rate within a country was 11 percentage points in 2022. The employment rate in each country's best performing region ranged from 64% in Greece to 85% in Finland, while the worst-performing regions of each country recorded employment rates of between 43% in Italy and 79% in the Netherlands. As a comparison, the overall variation in employment rates between EU countries in the second quarter of 2023 was 21 percentage points.

There has also been a convergence among the European regions over time, however. The growth in the employment rate was most pronounced in the regions with relatively lower employment rates in 2007, with a correlation of 0.19. Within countries, the average correlation was 0.33, and negative in 14 of the 18 countries with sufficient regions. This means that the regions across Europe are becoming more similar over time in their employment opportunities, both overall and within countries. Despite the overall improvement, there has also been stagnation in certain areas. Firstly, several regions, particularly in Greece and Spain, but also in Romania (Sud-Vest Oltenia), Denmark (Sjælland, Syddanmark, Midtjylland), Italy (Sicily, Calabria, Emilia-Romagna, Campania) and Belgium (Vlaams-Brabant), experienced declines in their employment rate between 2007 and 2022. Whereas the majority of Greek and Spanish regions experienced a decline, this was not the case for eight Spanish regions, in particular

Figure 2.6 Regional variation in the employment rate over time



Note: Employment rate for the population aged 15-64 by regions (NUTS2) in 2007 (left-hand side), 2022 (middle) and change over time (right-hand side). Source: Eurostat (lfst\_r\_lfe2emprr).

Ceuta, Castilla y Leon, Melilla and Extremadura, which saw increases of over 2 percentage points, and Voreio Aigaio and Attiki in Greece.

Regional variation is an important driver, given that structural changes vary greatly within countries as well as between them. A key difference between regions is their sectoral make-up, which greatly changes the extent to which they are affected by the green transition (Rodriguez-Pose and Bartalucci 2023) or the rising labour shortages.

## Trends in unemployment rates

In line with the steady expansion of the employment rate, the unemployment rate declined substantially, which can be seen in Figure 2.7, dropping by a total of 5.7 percentage points from 2013 to 2023 (second quarter in each case). Both men and women saw a very similar drop, but the same cannot be said for the different age group. Whereas unemployment remains high for the youngest workers, aged 15-24, the fact that the unemployment rate almost halved for this group means a reduction from 25.5% to 14% over the 10 year period. The risk of long-term unemployment (over one year) more than halved, dropping from 5.3% to 2.2% over the same 10-year period. While such improvements clearly show that labour demand is picking up overall, it is striking that there is still a non-negligible group of workers unable to find employment in this period of high labour demand, reflecting the existence of persistent barriers.

Once again, the overall unemployment rate conceals a great deal of variation between countries. Unemployment among 15- to 74-year-olds is lowest in Malta, Czechia, Poland and

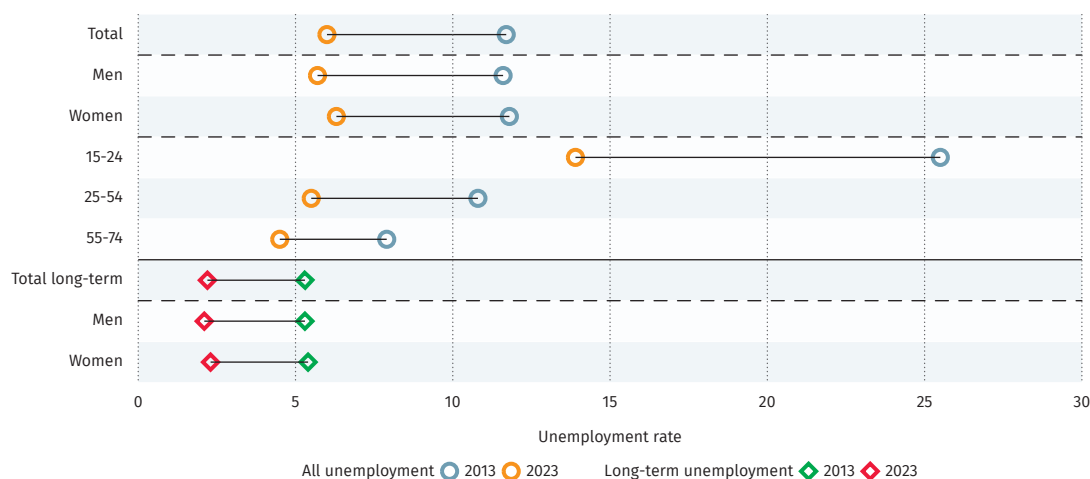
Germany, where it fell below 3% in the second quarter of 2023. It was furthermore low in the Netherlands and Slovenia (3.5%). The highest rates are found in Spain (12%), Greece (11%), Italy and Sweden (7.5%), and France and Finland (7%). Figure 2.8 also shows clearly that there has been a decline in the unemployment rate over time in all countries. The unemployment rate saw a drop from extremely high figures in Spain and Greece.

## Young people not in employment, education or training (NEETs)

Opportunities for young people are a specific focus of labour market policies as per the Youth Guarantee, which sets out a plan for providing a meaningful training or job opportunity for all young people. This is particularly important, as early negative experiences when entering the labour market can have long-lasting effects by scarring workers and rendering them less likely to find good jobs later on (Gregg and Tominey 2005; Mavromaras et al. 2015; Birkelund et al. 2017). Figure 2.9 below summarises how these efforts are paying off across countries for the youngest generation (15-24). On average, there has been a sizeable improvement across the EU27, with the rate of young people who are not in employment, education or training (NEET) dropping to below 10% between 2012 and 2022. The risk of NEET status declined in all countries with the exception of Austria and Luxembourg, where it increased slightly, and Finland, France and Slovenia, where it more or less stagnated.

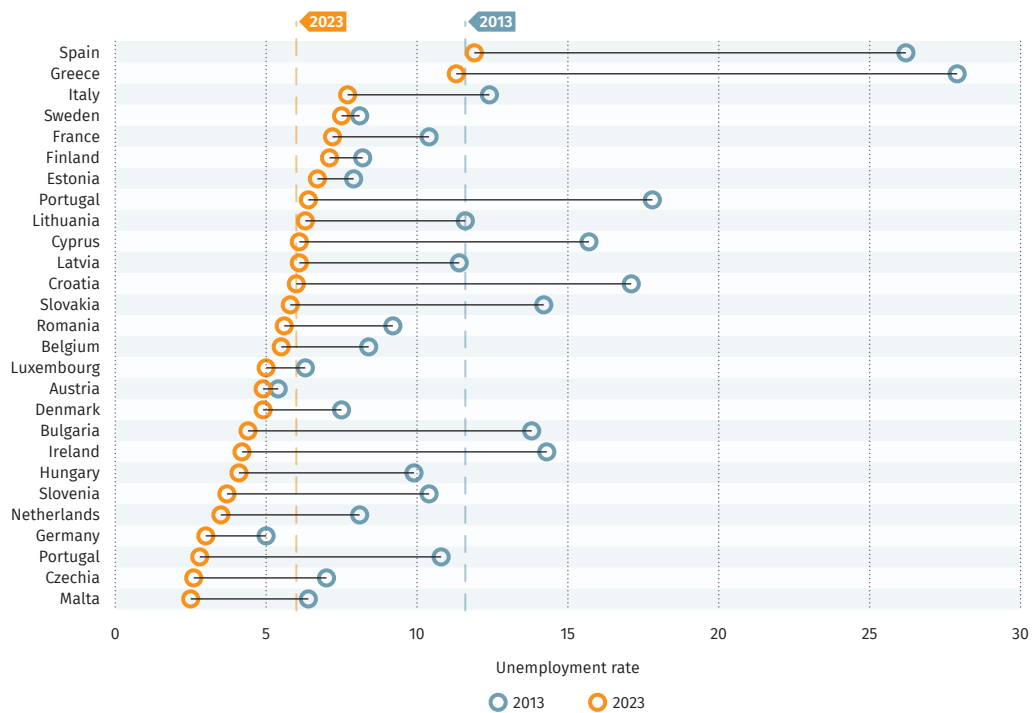
The risk of NEET status is by far the lowest in the Netherlands (3%), followed by Sweden (5%) and

Figure 2.7 Unemployment rates by categories



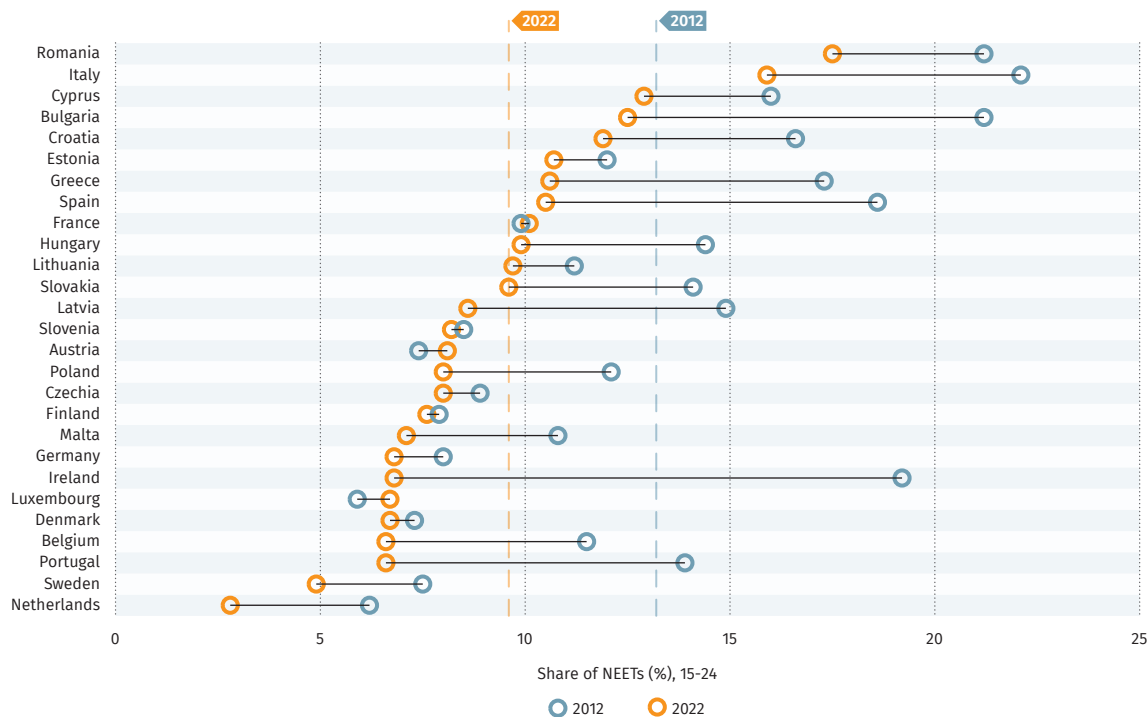
Note: Unemployment rate and share of long-term unemployed as a proportion of the labour force from 2013 to 2023 (second quarter in each year). Source: Eurostat (une\_rt\_q and une\_ltu\_q).

Figure 2.8 Unemployment rate by country



Note: Unemployment rate in 2013 and 2023 (second quarter in each year) for the population aged 15-74. Dashed lines indicate the EU27 average. Source: Eurostat (une\_rt\_q).

Figure 2.9 Share of young people not in employment, education or training



Note: Share of young people not in employment, education or training over time (%). Dashed lines are the EU average in the respective years. Source: Eurostat (tipslm90).

then Portugal, Belgium, Luxembourg, Denmark, Ireland, Germany and Malta (7%). It is highest by far in Romania, where almost one fifth (18%) of young people are not in employment, education

or training. Italy is next (16%), and then Cyprus and Bulgaria (13%), and Croatia (12%). These numbers indicate that a sizeable share of young people are losing out on opportunities.

## Intra-EU mobility and third-country migration

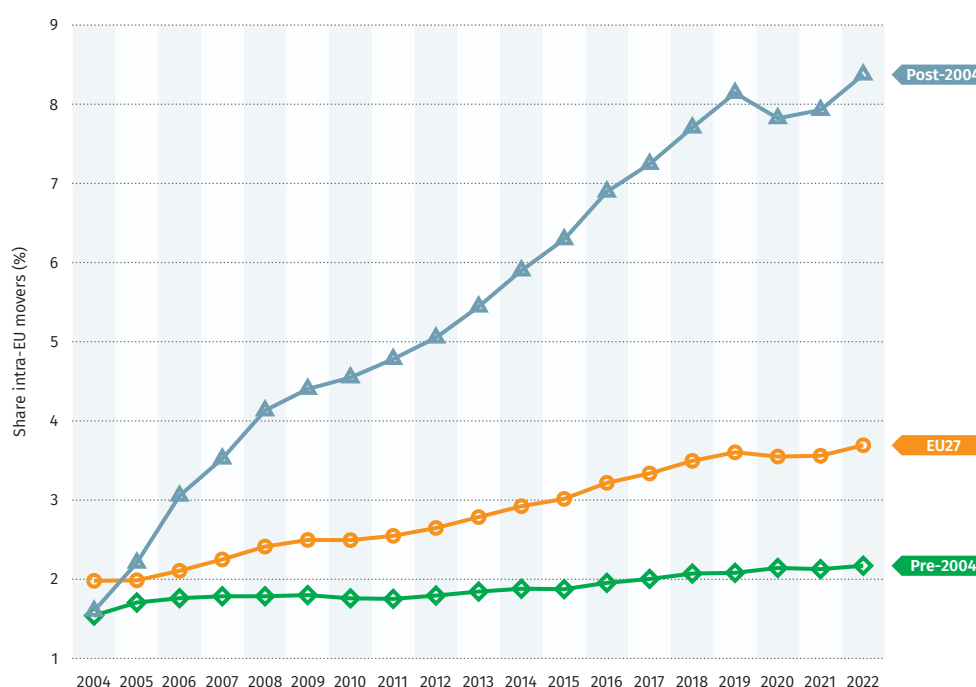
Both third-country migration into the EU and intra-EU mobility within the EU are steadily rising. As regards the former, since 2013 the annual figure for individuals aged 15-64 who were born outside the EU27 migrating to the 27 Member States has risen from 966,296 to 1,589,388, which is an increase of 64% (Eurostat: migr\_imm3ctb). In part, this reflects international conflicts and rising asylum applications. In 2013, 400,515 asylum applications were made to the EU27 countries, which rose to a peak of 1,282,690 in 2015, and then further declined to 698,760 in 2019, before plummeting to 472,395 in 2020 due to the Covid-19 pandemic. By 2022, the annual number of asylum applications to the EU had again risen to 955,525. The overall increase is not (solely) the result of Russia's invasion of Ukraine, since asylum applications by Ukrainian citizens increased from 6,460 in 2021 to 26,715 in 2022, with most Ukrainians covered by the Temporary Protection Scheme activated in 2022 and not included here (Eurostat: migr\_asyappctza). Whereas one third of applicants were women in 2013 (33%), the same figure had declined to 29% by 2022.

Labour migration is likely to become increasingly important in the light of ongoing labour shortages, for which third-country labour migration is touted as a possible

solution. Recently, the Commission presented a series of initiatives as part of the Skills and Talent Mobility package in order to make the EU more attractive to talent from outside the EU and make it easier to recruit these individuals (European Commission 2023a). While this may alleviate some shortages in specific skills, it also risks moving the problem from wealthier to poorer countries, since similar skills are required everywhere. It may also provide only a temporary solution, rather than improving working conditions and wages (Zwysen 2023a). As migration is generally at the discretion of the Member States, approaches to the adoption of regulations on short-term third-country migrants vary greatly. This, in turn, entails risks for third-country national migrant workers, who are often very dependent on their employer, and whose social security rights may be very limited (Bogoeski and Rasnača 2023).

The next focus of this chapter is intra-EU mobility, or in other words where citizens of one EU country move to work or reside in another. They experience significantly fewer regulatory hurdles than migrants from outside the EU, but still face barriers relating to knowledge of the destination country and this country's customs and language, and a lack of networks. Figure 2.10 indicates the share of nationals moving to another country within the EU, both overall and broken down by nationals of pre- and post-2004 joiners. An increase over time is apparent, from around 2% of EU citizens aged 15-64 living in a

Figure 2.10 Intra-EU mobility over time



Note: Share of EU citizens usually residing in another EU country, as a percentage of their national population aged 15-64.  
Source: Eurostat (lfst\_lmbpcita, lfsa\_pganws).

different EU Member State in 2004 to close to 4% by 2022, which has been driven almost entirely by rising shares of working-age movers who are nationals of the post-2004 Member States. Notwithstanding a brief downswing due to the Covid-19 pandemic, the share has risen to over one twelfth of the working-age population living in a different EU Member State.

Figure 2.11 breaks down mobility further by countries, showing a large division between the EU countries, with the number of Romanian and Croatian working-age citizens usually residing in a different EU country making up about one fifth of the national resident population, followed by over 10% of people in Luxembourg, Bulgaria, Portugal, and then Estonia, Lithuania and Latvia. Almost all central and eastern European countries, barring Czechia, also saw a large increase in the share of their working-age population living in another EU country. By contrast, less than 1.5% of the Swedish, German, French, Danish, Czech, Spanish, Finnish or Irish population usually resides in another Member State.

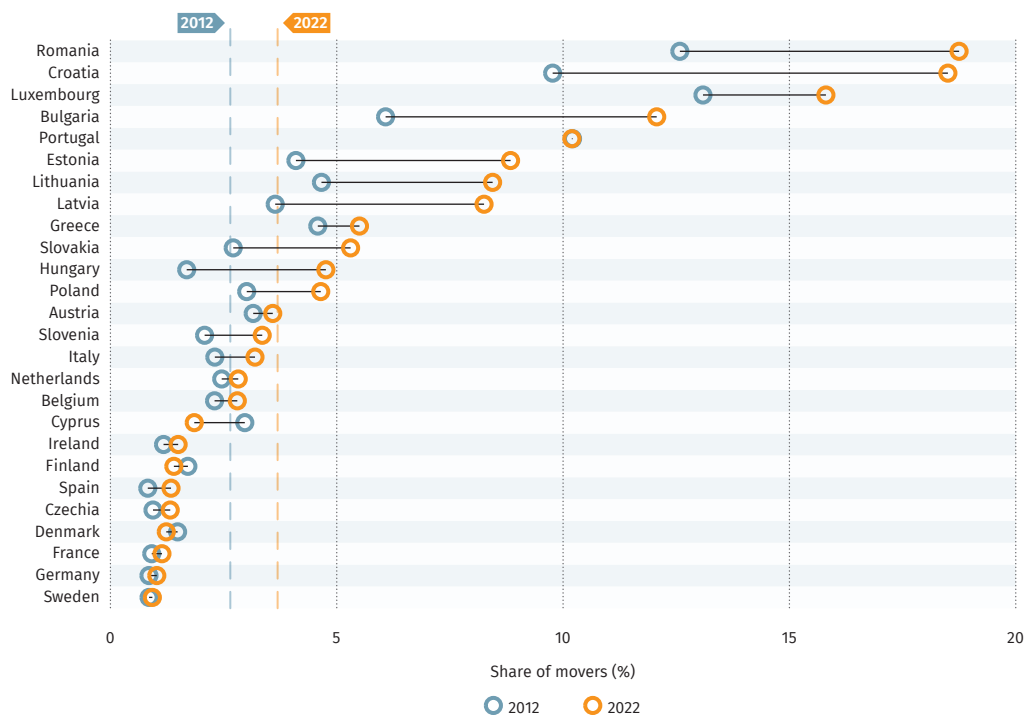
A recent ETUI working paper analysed the drivers of intra-EU mobility and its outcomes (Zwysen and Akgüç 2023). The paper indicated that, in the case of both standard mobility (where people move from one country to reside elsewhere) and the posting of workers, flows generally

went towards wealthier and bigger countries with a higher demand for labour, particularly in more seasonal sectors such as food services, construction and agriculture, and away from countries with a larger number of lower-skilled workers. This points to the importance of economic conditions in driving these flows.

Moreover, intra-EU movers do still face disadvantages on the labour market, in that they are generally less likely to be employed and more likely to work in lower-quality jobs than would be expected given their skills and characteristics. This conceals a large amount of variation, with movers from central and eastern Europe generally not facing high employment gaps but working in much lower-quality jobs, which raises the risk of exploitation for these movers (Zwysen and Akgüç 2023).

A very important channel of intra-EU mobility, albeit one which is not discussed further here, is the posting of workers to provide a service in a different Member State. Based on data from Portable Documents, there seems to have been a sizeable increase in postings over time, with around 3.7 million postings taking place across the EU, EFTA and UK in 2020. Many postings actually cover only a very short period of time, and their impact differs greatly between sectors (De Wispelaere et al. 2022).

Figure 2.11 Intra-EU mobility per country



Note: Share of EU citizens usually residing in another EU country, as a percentage of their national population aged 15-64. For Cyprus, the last available year is 2019. Source: Eurostat (lfst\_lmipcita, ifsa\_pganws).

# Employment arrangements and job quality

The previous sections discussed the employment rate overall, but there is, of course, a large amount of variation between jobs in terms of work and employment conditions. Looking at a wider time span, there has been an increase in the variety of different types of work arrangements and contract types as alternatives to the standard full-time open-ended contract. This section will first describe variations in part-time and temporary work, and then delve deeper into different aspects of the quality of work.

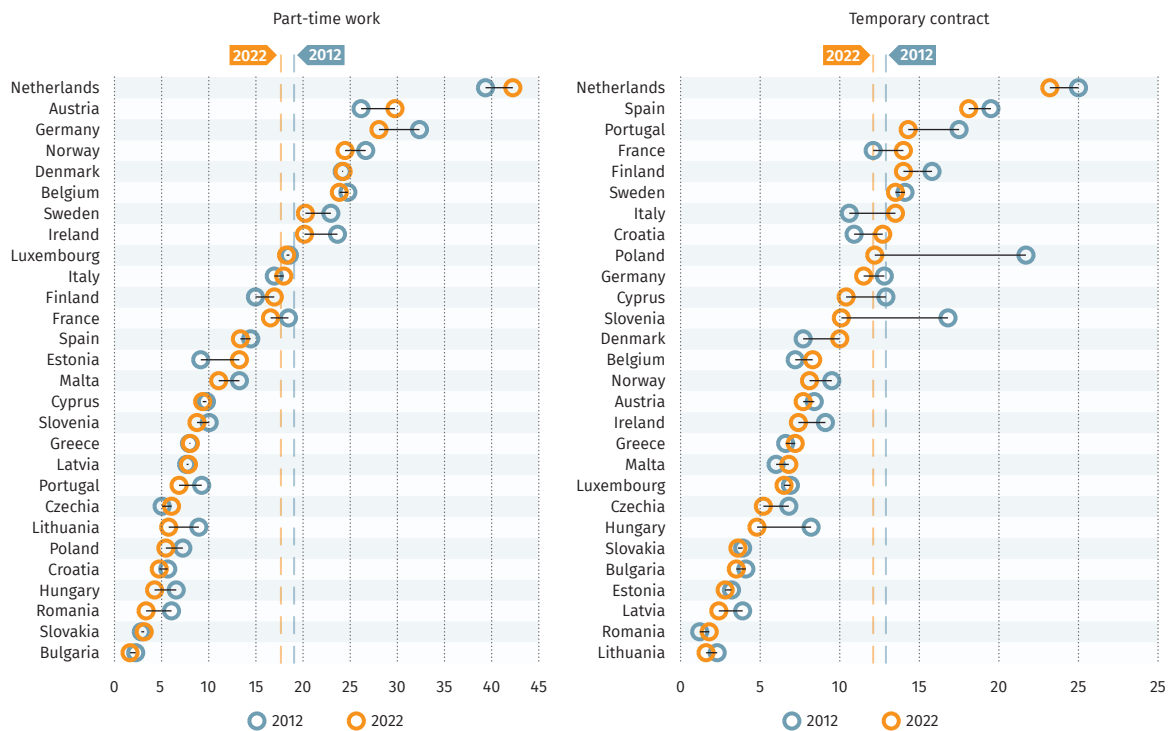
## Non-standard forms of work

Non-standard work generally means an increase in worker vulnerability, as it is linked to more precarious working conditions and greater income insecurity as a result of either insufficient working hours and too low an income, under-employment or uncertainty surrounding contract end dates, as is the case for temporary contracts.

Figure 2.12 shows that the share of workers on part-time contracts and employees on temporary contracts declined between 2012 and 2022, and so the overall increase in employment over this period did not come at the cost of more non-standard work or more under-employment. There is a sizeable difference between countries, however. Part-time work (left-hand panel) is particularly prevalent in the Netherlands, where over 40% of the employed population work part-time. This is followed by Austria, Germany, Norway, Denmark, Belgium, Sweden and Ireland. Accordingly, there is a very clear geographical divide, with part-time work much more likely in the northern and western countries of the EU. With some exceptions, these countries generally also have relatively high employment rates. Part-time work is still a much rarer occurrence in many of the central and eastern European countries, making up 5% or less of the employed in Bulgaria, Slovakia, Romania, Hungary, Croatia and Poland.

The right-hand panel of Figure 2.12 shows the share of temporary contracts for employees.

Figure 2.12 Share of employed working part-time and share of employees working on temporary contracts



Note: The figure shows the share of employed workers in part-time work and employees on temporary contracts, in 2012 and 2022\*. Dashed lines indicate the EU27 average. \* The last year available for Latvia is 2021.  
Source: Eurostat (lfsa\_eppgai, lfsa\_etgar).



On average, 12.1% of employees in the EU27 worked on temporary contracts in 2022 (women: 11%, men: 13.4%) (Eurostat lfsa\_etgar). Temporary contracts are also very prevalent in the Netherlands, followed by Spain, Portugal, Finland, France, Italy and Sweden. This type of non-standard work is consequently used more often in southern Europe on average, although by no means exclusively. Temporary contracts are generally least likely in most central and eastern European countries, with Croatia (13%), Poland (12%) and Slovenia (10%) representing notable exceptions. Temporary contracts make up 5% or less of all employee contracts in Lithuania, Romania, Estonia, Bulgaria, Slovakia, Hungary and Czechia. Temporary contracts can be particularly precarious, as they are less secure, and temporary employees are often the first to be let go. This became abundantly clear during the Covid-19 pandemic, when the share of temporary contracts declined from 13.2% in 2019 to 11.9% in 2020.

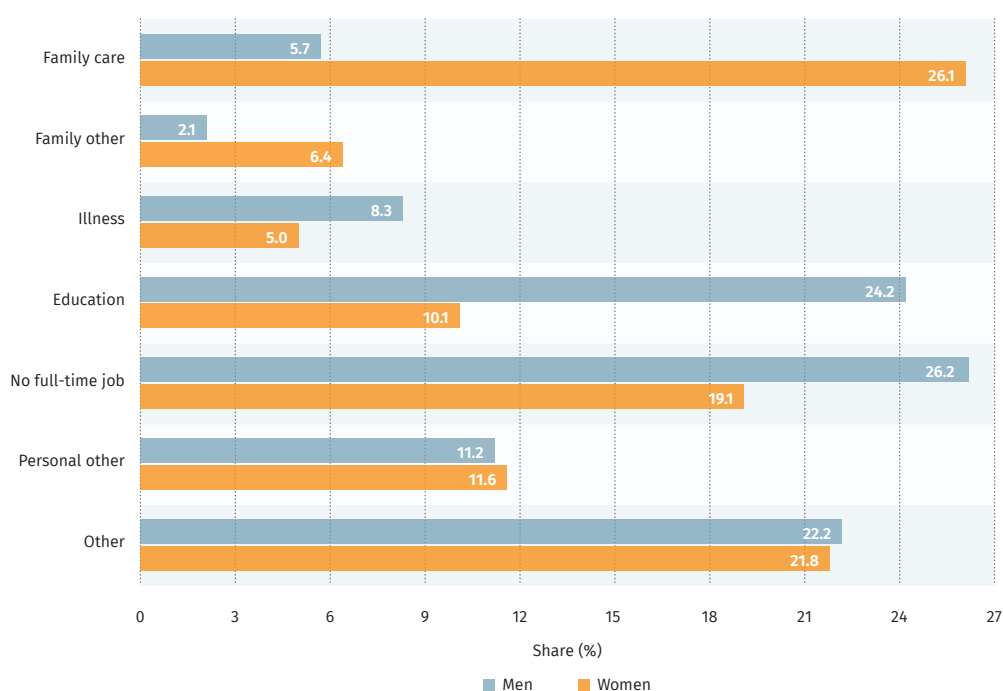
Part-time work is also much more likely to be used by women (28.4%) than men (8.2%) across the EU, and while not all of this difference is due to involuntary part-time work, it does indicate a strongly gendered constraint in options (Eurostat lfsa\_eppgai). Firstly, it is clear that women are more likely to work part-time due to family obligations: 26% of female part-time workers do so because of care responsibilities, with a further 6.4% due to other family reasons, compared to 5.7% and 2.1% of men respectively.

Men are more likely to work part-time because they are participating in training or education (24%) than women (10%). A second important difference is that 8.3% of women report disease or illness as reasons for working part-time, compared to only 5% for men. Given the high incidence of family and personal reasons, care responsibilities and illness reported by women, it should be clear that the choice to work part-time is generally a constrained choice, which also reflects variations and gendered patterns in care provision between countries and healthcare.

Figure 2.14 takes a closer look at involuntary part-time work (left-hand side) and temporary contracts (right-hand side), which are indications of under-employment, with people taking fewer hours or a more precarious job than they would otherwise have wanted due to a lack of alternatives. On average, there has been a decline in involuntary part-time work from 5.6% to 3.6% across the EU, and a drop in involuntary temporary work from 7% to 3.7%, showing that there has been a clear improvement over time. Involuntary part-time work declined in all countries with the exception of Belgium, where it increased by 2 percentage points, and Croatia, Finland and Italy, where it increased by about half a percentage point.

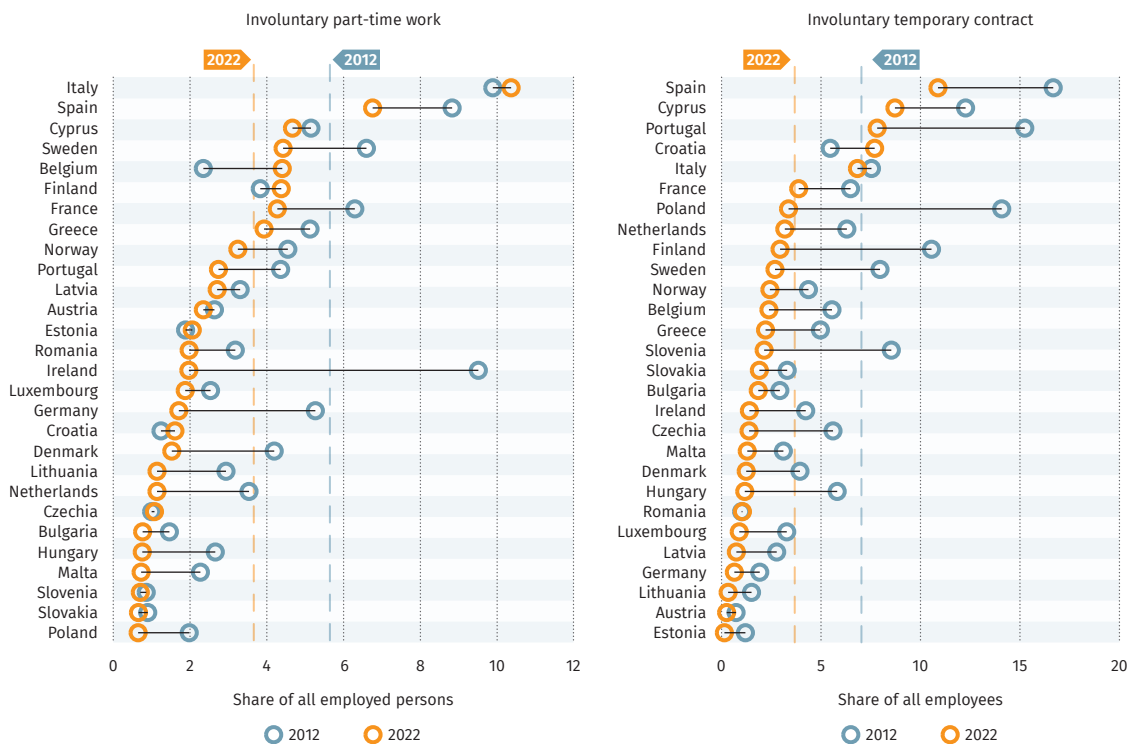
Involuntary part-time work is highest in Italy at 10.4%, where almost two thirds of those working part-time do so because they cannot find a full-time position. This is followed by

Figure 2.13 **Part-time work by reason**



Note: Share of part-time workers by reason across the EU27 for those aged 15-64 in 2022. Source: Eurostat (lfsa\_eppgai).

Figure 2.14 Share of involuntary part-time and involuntary temporary work



Note: The figure shows the share of involuntary part-time workers of all employed persons and the share of involuntary temporary contract workers as a proportion of all employees, aged 15-64, from 2012 to 2022\*. \* The last year available for Latvia is 2021. Source: Eurostat (lfsa\_eggai, lfsa\_etgar).

Spain, where 6.8% of the employed population work part-time because they cannot find a full-time position. The rate of involuntary part-time work is furthermore above 4% in Belgium, Cyprus, Finland, France and Sweden. Involuntary part-time workers account for less than 1% of the employed population in Bulgaria, Hungary, Malta, Poland, Slovakia and Slovenia. Interestingly, given their high share of overall part-time work, this figure is also very low in the Netherlands (1.1%). The number of involuntary part-time workers is thus many magnitudes smaller than the overall number of part-time workers, showing that there is a large difference between countries in the extent to which part-time work is a choice, even when constrained.

Involuntary temporary contract work declined everywhere except Croatia. Involuntary temporary work is prevalent in Spain (11%), Cyprus (9%), Portugal and Croatia (8%), and Italy (7%). It is very low in Estonia, Austria, Lithuania, Germany and Luxembourg.

In addition to temporary employment and part-time work, there are several other types of precarious positions that are not as easily measured but should not be forgotten. They include zero-hours contracts, arrangements where fewer social security benefits are accrued (such as minijobs in Germany or flexijobs in Belgium), unpaid internships and bogus

self-employment, or the vulnerable bargaining position of some solo self-employed or precarious seasonal workers.

Importantly, there has been a sizeable increase across European countries in the use of temporary agency work (Zwysen 2023b). This chimes in with a larger increase in the externalisation of work through mechanisms such as domestic outsourcing, where tasks are no longer carried out by employees of a specific firm, but rather purchased from a service-providing firm or performed by a temporary employment agency (OECD 2021a; Drenik et al. 2023). Outsourcing of this kind is generally linked to worse working conditions and lower pay compared to those of workers on more standard arrangements, and also generally results in worse representation of these workers. A recent ETUI working paper (Zwysen 2023b) describes this growth in outsourcing over time, while also revealing the sizeable variations between countries and sectors. Importantly, there is generally less outsourcing – and the outsourcing that does occur impacts workers less – in countries and sectors with stronger union density and higher collective agreement coverage rates.

## In-work poverty

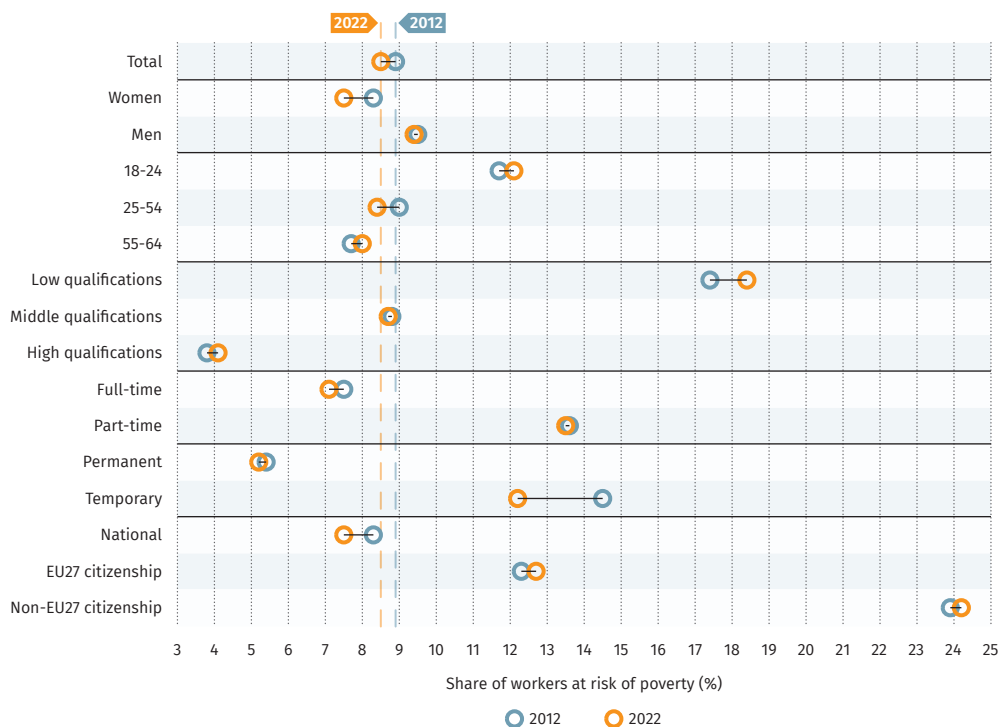
Wages and wage inequality are discussed in more detail in Chapter 3 of this volume, yet since pay is a key dimension of job quality, it is also important to consider whether jobs still provide a decent income. Figure 2.15 shows the risk of being at work while still being below the household poverty line (in-work at risk of poverty) across the EU and over time. On average, 8.5% of the employed population were at risk of poverty in 2022, which is down slightly from 8.9% in 2012. There has been a decline of 0.8 percentage points in the risk of poverty for women, which has dropped to 7.5%, whereas it remained more or less stable for men at 9.4%. The risk of in-work poverty is somewhat higher for men. There is also a clear age division, with 12.1% of young workers at risk of poverty compared to 8.4% of prime-age workers (25-54) and 8% of older workers (55-64). Over time, the risk of in-work poverty has increased somewhat for younger workers (18-24) and older workers (55-64) while declining for prime-age workers. The risk of in-work poverty is also highly dependent on qualifications, since about 18.4% of lower-educated workers (with at most lower secondary qualifications) live in poor households, compared to 8.7% of middle-qualified (upper secondary or post-secondary non-tertiary) and 4.1% of higher-qualified

workers. The risk of poverty increased by 1 percentage point for workers with lower qualifications and by 0.3 percentage points for the highly qualified between 2012 and 2022.

Non-standard work is also associated with a higher risk of poverty, since 13.5% of part-time workers in 2022 were at risk of poverty compared to 7.1% of full-time workers. Similarly, workers on temporary contracts are more than twice as likely to be in poverty (12.2%) than those on non-temporary contracts (5.2%). This also indicates why we should care about the risk of non-standard work. Finally, there is also a clear correlation with migrant status, since workers with a citizenship other than that of the country where they live are more at risk of poverty, and this risk has increased over time. The risk of in-work poverty is 12.7% even for intra-EU movers (who are relatively advantaged) and over 24% for third-country nationals.

In summary, therefore, the risk of in-work poverty has declined somewhat over time, yet this conceals variation between the different categories of workers, as the gaps between workers of different ages, qualification levels and migration statuses have generally widened over time. It therefore follows that the more vulnerable did not really see their outcomes improve and remain more at risk of poverty, even when working.

Figure 2.15 Workers at risk of poverty



Note: Share of workers at risk of poverty aged 18-64.  
Source: Eurostat (ilc\_iw01, ilc\_iw04, ilc\_iw07, ilc\_iw05, ilc\_iw15, ilc\_iw16).

## Multidimensional job quality

### Job quality across countries and genders

Since the 2008 financial and economic crisis, which triggered one of the deepest recessions in generations, the European labour markets have been in perpetual crisis management mode. Recovery has been uneven, with policy measures for a long time focusing mainly on stimulating job growth and paying far less attention to the quality of the jobs created (see, for example, Maricut and Puetter 2018; Piasna et al. 2019). Rising inequalities, sluggish wage growth and the expansion of the precarious gig economy (Tomaskovic-Devey et al. 2020; ILO 2021) are just some of the many outcomes ringing alarm bells about the unsustainability of the current economic model, thus underscoring the need for social policy to step up and rendering the monitoring of developments in job quality a pressing issue.

The European Job Quality Index (JQI) has been developed by ETUI researchers to benchmark EU countries in terms of quality of jobs and monitor trends over time (Leschke et al. 2008; Piasna 2023). The JQI encompasses a broad range of work and employment characteristics, summarising them within six dimensions: income quality (i.e. predictability and adequacy of income), forms of employment and job security, working time and work-life balance, working conditions, skills and career development, and collective interest representation and voice (for more details, see Piasna 2023).

The latest results, based on data from 2021, show considerable differences in job quality between the Member States (Figure 2.16). Countries with overall job quality that falls below the EU average are mostly located in central, eastern and southern Europe, testifying

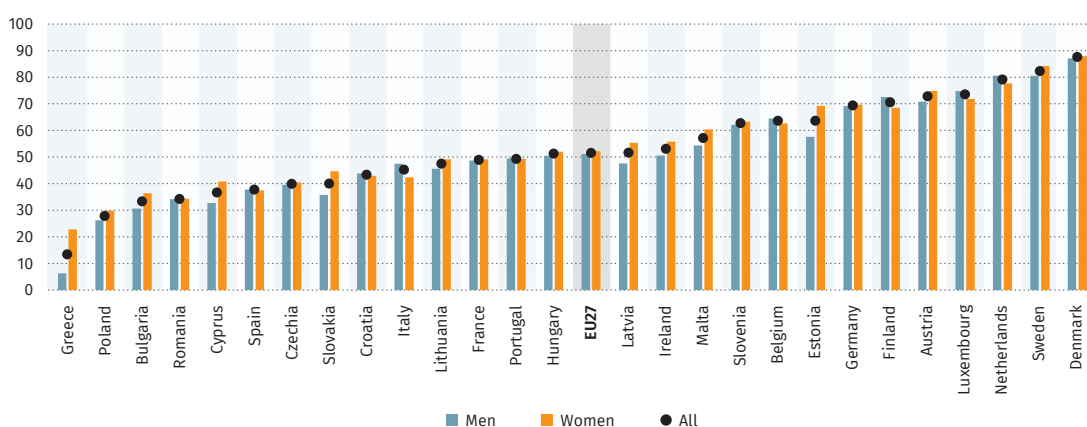
to the persistent regional divides within Europe. Overall job quality is lowest in Greece, followed by Poland, Bulgaria and Romania. In contrast, Denmark, Sweden and the Netherlands noted the best job-quality outcomes in 2021. These regional disparities are also broadly reproduced for the specific dimensions of job quality, demonstrating that the European labour markets continue to offer highly unequal employment opportunities and that upward convergence is hindered by persistent structural and institutional barriers. There is surprisingly little gender-based variation in global measures of job quality at EU level, with the scores for women slightly outperforming those for men, especially so in Greece, Estonia, Slovakia and Cyprus.

There are some notable trade-offs between the various dimensions, however (Figure 2.17). Women achieve better outcomes compared to men in only two dimensions, namely income quality and working time quality/work-life balance. The latter is mainly due to the fact that their working hours are shorter overall, and the incidence of unsocial and very long hours (more than 48 per week) is lower as a result. This gender gap is narrowest in Sweden, which also scores the best on this dimension of job quality.

Income quality reflects the adequacy of income and its predictability rather than wage levels. It is notable that women, who continue to earn less than men in the EU on average, regardless of differences in personal characteristics and work settings (EIGE 2021; European Commission 2022a), are nevertheless more often able to foresee the amount they will earn in the near future and feel more confident in being able to make ends meet at the end of the month.

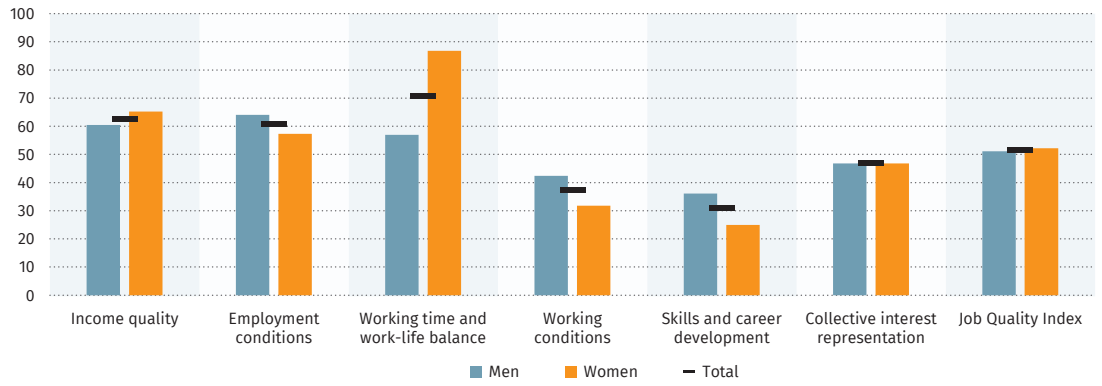
Men score better in terms of quality of employment conditions, and this gender gap is particularly wide in countries with the worst

Figure 2.16 Overall Job Quality Index in 2021, by country and gender



Source: Piasna (2023: 14).

Figure 2.17 Job Quality Index in 2021, by sub-dimensions and by gender, EU27



Note: All sub-dimensions have been normalised for the purpose of calculating the overall Job Quality Index.  
Source: Piasna (2023: 14).

employment conditions, or in other words Spain, Italy, Cyprus and Greece, but also Finland. Interestingly, women are somewhat more likely to perceive their jobs as secure compared to men, which reduces the overall gender gap in employment conditions.

The fact that men have a better quality of working conditions (i.e. work intensity, work autonomy and physical risk factors) might be surprising, but is partly due to a focus on the physical risks that are common in female-dominated healthcare and clerical occupations in the 2021 data. Women, however, have lower autonomy and less control over the organisation of their work.

There is little gender difference at EU level in participation rates for education and training, but women view their career prospects more negatively than men. Some interesting patterns emerge between countries, however (see Piasna 2023), with women enjoying better conditions in terms of skills and career development in countries that are above the EU average on this dimension, such as Sweden, Estonia, Denmark or Finland. In contrast, a gender gap in favour of men tends to be observed among the lower-ranked countries, such as Portugal, Italy, Czechia or France. Finally, there is no gender difference in collective interest representation.

### Working conditions across sectors

Figure 2.18 illustrates differences in the quality of working conditions across sectors, revealing trade-offs rather than a correlation between the various dimensions. The overall quality of working conditions is highest in knowledge-intensive activities, such as real estate, finance and insurance, information and communication or professional scientific and technical activities. This is driven by low exposure to physical risks and high scope for autonomy, but

is offset by high-intensity work. In contrast, a combination of high exposure to physical risks along with low worker autonomy characterises work in the healthcare sector, raising concerns about the unsustainability of conditions for this group of key workers in a sector faced with labour shortages.

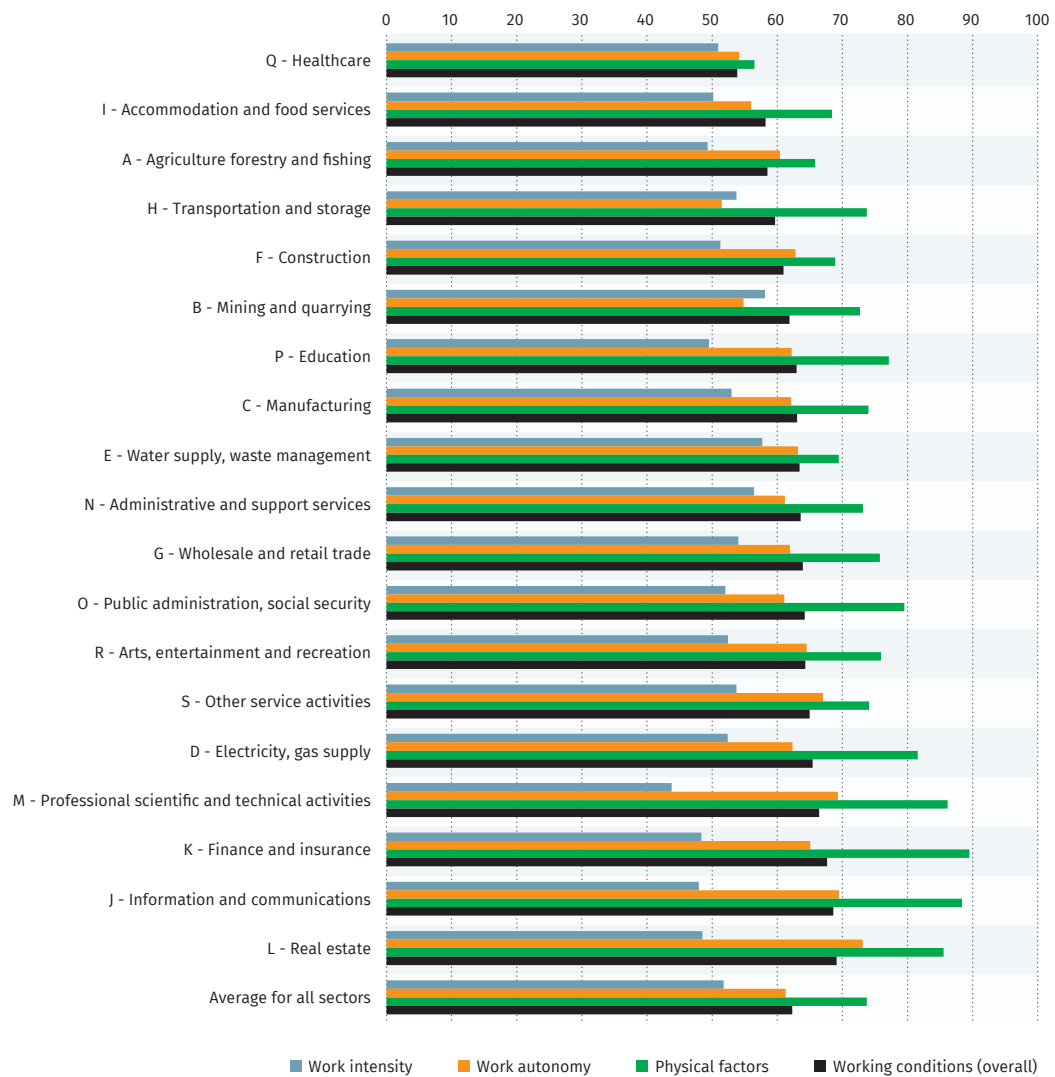
## The burden of psychosocial work factors

Occupational Safety and Health (OSH) is core to job quality, as it aims to prevent work-related harm to employees and therefore constitute a key driver of each worker's overall employment experience. Over the past decade, the European OSH policy framework and rules have contributed to a considerable improvement in working conditions. The previous EU OSH strategic framework (2014-2020) played a major role in the prevention of work-related diseases, with several updates of the Carcinogens and Mutagens Directive as well as modernisation updates of four directives, including in the areas of exposure limit values and biological agents. The new OSH strategic framework (2021-2027), announced in the European Pillar of Social Rights Action Plan, also places an emphasis on the prevention of work-related accidents with the ambitious 'Vision Zero' approach to work-related deaths. Yet the roadmap makes no references to the psychosocial factors behind work-related illnesses and deaths, even though the scientific evidence points towards a substantial toll.

Psychosocial work factors are aspects of the design or management of work that are associated with a negative impact on mental or physical health. Several epidemiological studies have actually demonstrated that psychosocial work factors are associated with

“  
Psychosocial risks are not included in the OSH roadmap, but carry a substantial toll

Figure 2.18 The quality of working conditions (overall measure and sub-dimensions), by sector, EU27



Note: Higher values indicate a better job quality for all dimensions; for example, a high score for work intensity indicates less intense work. Activities of households as employers and extraterritorial organisations and bodies are not shown but are included in the calculation of the average for all sectors. Sorted by scores for working conditions (overall). Source: EWCTS 2021, own calculations.

various negative health outcomes, especially cardiovascular diseases and mental disorders. The burden of disease is typically measured by disability-adjusted life years (DALYs), a time-based measure that combines years of life lost due to premature mortality (YLLs) and years of life lost due to time lived in states of less than full health, or years of healthy life lost due to disability (YLDs). The following data are from an ETUI-funded research project aimed at estimating the annual burden of cardiovascular diseases and depression attributable to a selection of psychosocial work factors in the EU27 and United Kingdom (Sultan-Taïeb et al. 2023). The analysis is based on data from the sixth European Working Conditions Survey (EWCS) carried out in 2015 in 35 countries. The questions included on the EWCS allow five psychosocial work factors to be assessed:

job strain, job insecurity, long working hours, bullying and effort-reward imbalance.

The overall burden of depression attributable to the five psychosocial work factors in the EU27 and United Kingdom was estimated at 211,689 YLLs and 449,322 YLDs. Job strain was the leading contributor to depression, accounting for the heaviest burden across all exposure-outcome pairs, with 132,988 YLLs and 281,037 YLDs. Workplace bullying (68,924 YLLs and 155,285 YLDs) and effort-reward imbalance (54,095 YLLs and 105,063 YLDs) ranked second and third respectively. Depression caused more YLDs than YLLs for all factors, showing that the effects of depression can be long-lasting or recurrent, and can dramatically affect a person's ability to function.

The overall burden of coronary heart disease (CHD) attributable to all psychosocial work

factors – except for bullying, for which paired data are unavailable – was estimated at 201,359 YLLs and 11,508 YLDs. The highest burden of CHD in both YLLs and YLDs was for job insecurity, closely followed by job strain (i.e. a situation where high job demands combined with low control or decision latitude are experienced). By way of contrast to depression, CHD caused substantially more YLLs than YLDs for all factors, underscoring that survival following a CHD event is typically short.

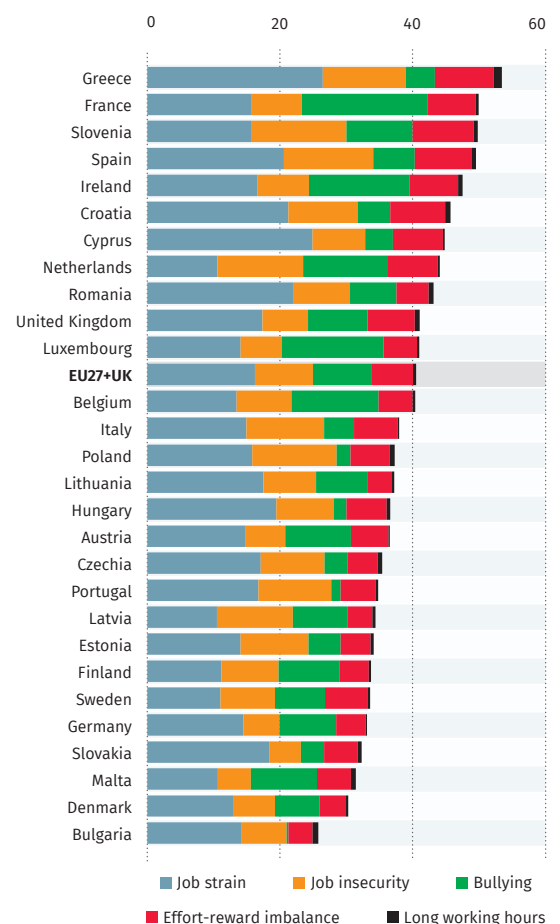
Three additional health outcomes were available for specific factors, although they made more modest contributions to the overall burden. Stroke added 11,818 YLLs and 4,041 YLDs to the burden of long working hours, while atrial fibrillation, characterised by rapid and irregular beating of the upper chambers of the heart, accounted for 554 YLLs and 1,085 YLDs. Finally, peripheral arterial disease attributable to job strain were estimated to add 2,993 YLLs and YLDs. Peripheral arterial disease is a condition in which narrowed arteries reduce blood flow to the arms or legs, which in turn increases the risk of developing coronary and cerebrovascular diseases, potentially leading to a heart attack or stroke.

There are discrepancies between Member States in the burden borne by workers. Figure 2.19 and Figure 2.20 show the share of depression and coronary heart diseases attributable to the five psychosocial work factors in 2015 (i.e. attributable fractions or AFs).

As shown in Figure 2.19, the fraction of depression attributable to job strain ranged from 10% in Latvia to 26% in Greece, with an EU27+UK average of 16%. Less than 2% of depression was attributable to bullying in Bulgaria, Portugal and Hungary, in contrast to more than 15% in Ireland, Luxembourg and France. A lack of reciprocity between effort and reward in the workplace was the cause of 9% of depression in Spain, Greece and Slovenia, but less than 4% in Bulgaria, Lithuania, Latvia and Denmark. The fraction of depression attributable to long working hours averaged out at 0.5% and was significantly different from zero ( $p < 0.05$ ), with significant differences between Member States. There was no significant difference between Member States in the share of depression attributable to job insecurity, which averaged out at 9% in the EU27+UK. Overall, the burden of depression attributable to the five psychosocial work factors studied was highest in Greece,

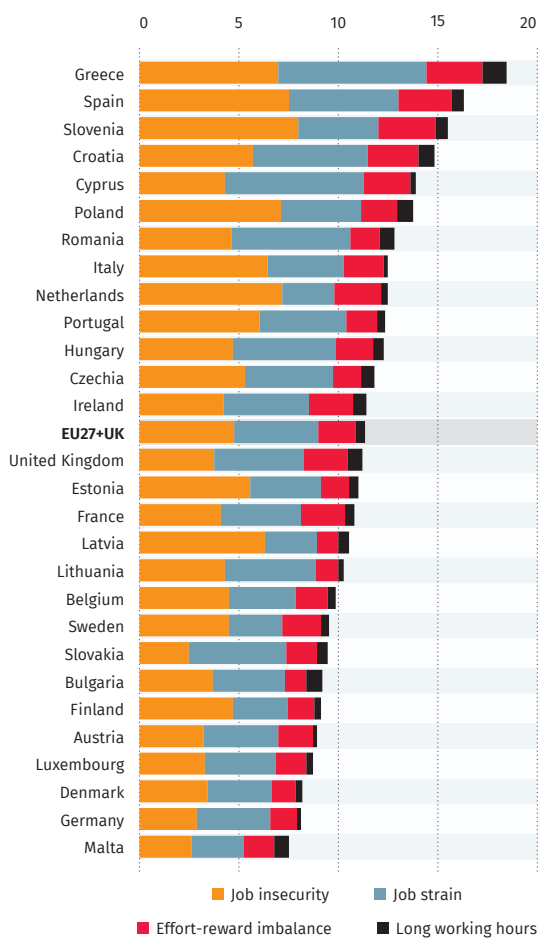
France, Slovenia and Spain. At the other end of the spectrum, Bulgaria, Denmark, Malta and Slovakia recorded the lowest overall burden for depression. In Figure 2.20, the fraction of CHD attributable to the five psychosocial work factors was found to be significantly different from zero in all cases, but with no significant differences between Member States. Job insecurity contributed to 5% of CHD on average, ranging from 2.5% in Slovakia to 8% in Slovenia. CHD attributable to job strain ranged from 3% in Latvia to 8% in Greece, with an average of 4% in the EU27+UK. The attributable fraction of effort-reward imbalance ranged from 1% in Bulgaria to 3% in Slovenia, contributing to 2% of CHD in the EU27+UK on average. Finally, long working hours were a factor in 0.5% of CHD in the EU27+UK, ranging from 0.2% in Germany to 1.2% in Greece.

Figure 2.19 Fractions of depression attributable to selected psychosocial work factors in EU27+UK in 2015, per Member State



Note: Expressed as percentages.  
Source: authors, based on Sultan-Taïeb et al. 2023.

Figure 2.20 Fractions of CHD attributable to selected psychosocial work factors in EU27+UK in 2015, per Member State



Note: Expressed as percentages.  
 CHD: Coronary/ischaemic heart disease.  
 Source: authors, based on Sultan-Taieb et al. 2023.

It should be noted that the separate attributable fractions do not sum up to an overall attributable fraction, since multiple risk factors may act together to cause a disease in any given individual. Psychosocial work exposure nevertheless remains a significant source of ill-health in the European Union. In 2015, 6,190 workers died of CHD attributable to at least one of the five psychosocial work factors under investigation. The burden was equally high for depression, with 4,843 deaths attributable to exposure of this kind. Although less visible, in

2015 the burden of psychosocial work factors was three times heavier than that of workplace accidents, which amounted to 3,502 fatalities in the same year (Eurostat hsw\_mi01). Moreover, these estimates are conservative, since only a limited set of psychosocial work factors and health outcomes were included. The inclusion of additional exposures such as ‘dealing with difficult customers’, which has been reported as a risk factor for mental health by 10% of EU workers, is likely to result in an even heavier burden (Franklin et al. 2021). Similarly, additional diseases known to be associated with chronic stress could contribute to the death toll, such as type II diabetes or inflammatory bowel disease (Ge et al. 2022; Sharma et al. 2022). Finally, the analysis does not capture the changes brought about by Covid-19 lockdown measures on the one hand, and the emergence of new forms of employment on the other, both of which have been known to exacerbate the psychosocial toll on vulnerable workers.

Post-pandemic surveys hint at an unprecedented deterioration in psychosocial working conditions, with an even greater share of workers reporting time pressure, overload of work, poor communication, bullying or harassment, and a lack of autonomy or influence over work (Franklin et al. 2021). According to the Flash Eurobarometer survey conducted in April 2022, 44% of EU workers agree or strongly agree that they experience more work-related stress as a result of the Covid-19 pandemic (EU-OSHA 2022). The survey highlights the growing use of digital technologies as a contributor to the worsening of psychosocial working conditions. For many workers, the introduction of digital technologies resulted in more lone working, increased surveillance and a loss of autonomy at work. This is in line with the extensive body of research conducted on the platform economy, showing that algorithmic management and digital surveillance technologies contribute to a hectic pace of work, long working hours and lone working (Bérastégui 2021). These developments are likely to have placed a yet greater burden on the health of European workers compared to the 2015 estimates.



# Selected recent developments in relation to Social Europe

This section goes beyond describing the structure of the labour market in Europe by taking a more policy-focused look at developments across the European Union. Certain efforts have been more focused on expanding access to the labour market and taking certain, albeit hesitant, steps towards social policies that are harmonised in terms of outcomes at the European level, for example the adoption of the European Pillar of Social Rights and the increase in other related directives and regulations. However, these efforts remain generally much weaker than those focused on economic and monetary regulation and the organisation of the single market.

Specific attention is given firstly to the social legislation initiatives, referred to here as the first ‘children of the Pillar’, that emerged from the post-EPSR expansion. This section describes what stage has been reached with this process to date and provides an initial assessment thereof. As part of these developments, there has also been an increased level of interest in minimum income provisions with a view to limiting poverty across the Union; this section therefore looks in more detail at the efforts being made to address this issue. Secondly, the chapter describes the issue of platform workers, with reference to the work currently ongoing on a directive regulating the obligations of platforms and the status of platform workers. Finally, the fact that the EU governance scheme is being renewed at present makes this the perfect time to analyse the extent to which country-specific recommendations (CSRs) address and frame labour market issues in the EU. The section begins with a brief overview of changes in spending on labour market policies.

## Spending on labour market policies

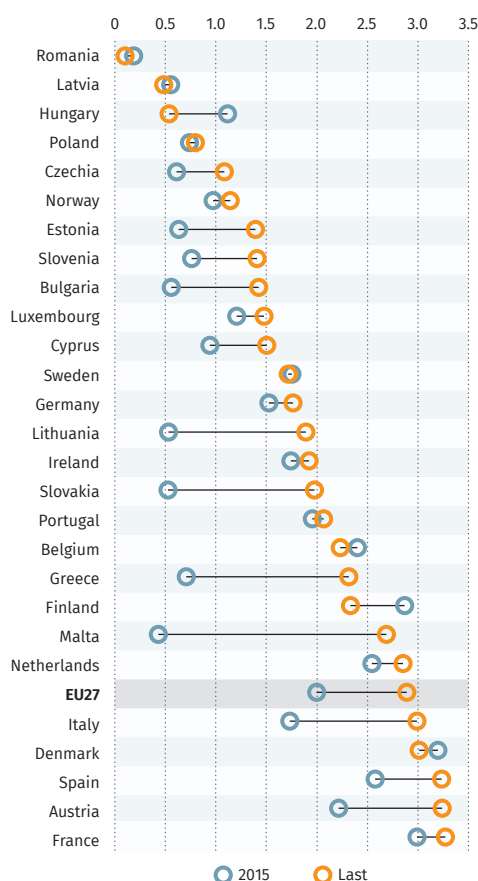
The previous section described trends in the labour market, and it was shown that there had been some convergence in employment rates over time between countries. However, it is also important to consider the policy dimension of labour market and social developments across

Member States and within the European Union. Labour market policies are an important issue in the European Union’s Member States. In 2020, around 2.9% of GDP was spent on support for various labour market policies. This reflected a major increase compared to the previous year (1.7%) due to the support provided to workers during the Covid-19 pandemic. This is particularly evident from the fact that spending on out-of-work income maintenance and support increased from 1% to 2.1% of GDP, and spending on employment incentives increased from 0.07% to 0.26%. Yet, prior to the pandemic, there had actually been a steady decline in spending on labour market policies, from 2.4% in 2010 to 1.7% in 2019. A more detailed examination of the specific types of spending reveals that spending on labour market services declined slightly from 2010 (0.23% of GDP) to 2020 (0.20% of GDP) across the EU27. On the other hand, combined spending on activation – training, employment incentives, supported employment and rehabilitation, direct job creation and start-up incentives – declined heavily from around 0.58% of GDP in 2010 down to 0.39% in 2019. However, the Covid-19 pandemic meant that this spending increased again to 0.59% of GDP by 2020. Finally, spending on replacement incomes – out-of-work income maintenance and support, and early retirement – had also declined from 1.56% of GDP in 2010 to 1.07% by 2019 but then increased sizeably up to 2.10% of GDP by 2020. These spending patterns illustrate not only trends in the labour market, with an overall reduction in the share of early retirees and lower unemployment rates, but also changing policy priorities that led to a decrease in training, labour market services and employment initiatives.

A great deal of variation can be observed between countries, as can be seen from Figure 2.21, which maps the changes over the period 2015-2021. The highest share of GDP was spent on labour market policies in France, Austria, Spain, Denmark and Italy, which all spent 3% or more of their GDP on labour market policies. The Netherlands, Malta, Finland, Greece, Belgium, Portugal and Slovakia spent between 2% and 3% of their GDP on such policies. In contrast, labour market policy support was very low in Romania,

Latvia, Hungary, Poland and Czechia, and (with the exception of Czechia) also decreased in all of these countries. From 2015 onwards, there was generally an increase in labour market policy support in most countries, with the exception of Denmark, Finland and Belgium, where spending was already high, and Hungary and Romania, where spending was low and declined further. Overall, the level of variation between Member States is still very high.

Figure 2.21 **Spending on labour market policy support in 2010 and 2021, by country**



Note: The figure shows spending on different labour market policies as a share of GDP in 2010 and in the last available year, which is generally 2021, with the exception of Ireland, Romania, Italy and the EU27, where it is 2020. Source: Eurostat (lmp\_expsumm).

## The first 'children' of the Pillar

As the social consequences of austerity measures in the wake of the sovereign debt crisis started to become apparent, the European Pillar of Social Rights was proclaimed in 2017 by the European Commission, the European Council and the European Parliament. It is a set of 20 principles intended to inspire confidence in the social dimension of the Union. As a non-binding legal commitment, the function and effectiveness of the Pillar was questioned at the time (Rasnača 2017; Garben 2019). Six years later, doubt remains from many corners over the achievements of

the Pillar and its 2021 Action Plan (e.g. Rainone and Aloisi 2021; Seiwerth 2023). Nevertheless, it would certainly seem that, in the post-Pillar period, 'Social Europe is happening more than ever before' (Kilpatrick 2023).

The main initiatives to emerge during this period were discussed in the opening chapter to this edition by Claire Kilpatrick. Most of these are highlighted again here in Table 2.1, which includes most of the major pieces of legislation (some of which were in the pipeline before the Pillar was officially proclaimed), as well as non-binding initiatives and major funding instruments linked to the Pillar. Some of these initiatives – such as the Adequate Minimum Wages Directive and the NextGenerationEU – are remarkable achievements that would have been unthinkable a decade ago. The implementation of the Pillar is also mentioned in the Commission's proposal to review the EU governance framework, which is discussed below.

Table 2.1 **List of directives and instruments that have emerged in the wake of the European Pillar of Social Rights**

Legally binding instruments	<ul style="list-style-type: none"> <li>• Whistleblowing Directive</li> <li>• Work-Life Balance Directive</li> <li>• Transparent and Predictable Working Conditions Directive</li> <li>• Adequate Minimum Wages Directive</li> <li>• Women on Boards Directive</li> <li>• Pay Transparency Directive</li> <li>• Proposal for a Directive on improving working conditions in platform work</li> <li>• Proposal for a Directive on combating violence against women and domestic violence</li> </ul>
Non-binding instruments	<ul style="list-style-type: none"> <li>• Council Recommendation on key competences for life-long learning</li> <li>• Council Recommendation on access to social protection by workers and the self-employed</li> <li>• Council Recommendation establishing a European child guarantee</li> <li>• Council Recommendation on a fair transition towards climate neutrality</li> <li>• Council Recommendation on adequate minimum income</li> <li>• Council Recommendation on strengthening social dialogue</li> </ul>
Funding instruments	<ul style="list-style-type: none"> <li>• European Social Fund Plus</li> <li>• Recovery and Resilience Facility, part of NextGenerationEU</li> <li>• Social Climate Fund</li> </ul>

Here we take a closer look at two of the first binding legal instruments that emerged from the Pillar and that were directly linked to its principles, namely the Work-Life Balance Directive and the Transparent and Predictable Working Conditions Directive, which were due to be implemented by August 2022. The first

instrument seeks to ensure a better work-life balance for parents and carers. Since women tend to be the primary caregivers, it also aims to increase women's labour market participation and encourage a greater uptake of unpaid care work by fathers. It sets minimum standards regarding paternity leave (two weeks), parental leave (four months) and carers' leave (five days), and introduces a right to request flexible working arrangements. Many Member States already have more generous entitlements, but in others the Directive will raise the level of protection. Greece, Malta, the Netherlands, Portugal and a few other Member States offered only one week of paternity leave or less before the Directive (Janta and Stewart 2018), for example.

Yet, while the Directive is a positive development, the leave entitlements are still relatively minimal compared to the actual demands experienced by carers, and certain shortcomings persist. The Directive provides for paternity leave to be paid only at the level of sick pay (which varies between Member States), and for only two months of parental leave to be remunerated adequately. In the absence of decent remuneration across all types of leave, it remains more likely that uptake will be greater among women, who earn less on average and risk losing a smaller proportion of household income (Chierigato 2020; Arabadjieva 2022). Certain challenges have also been encountered in terms of implementation. By August 2022, 19 Member States had still not notified the Commission of the relevant implementation measures. In April 2023, the Commission sent reasoned opinions to 11 of those, and in November it referred Belgium, Ireland and Spain to the Court of Justice of the EU for failure to notify it of their implementation measures for the Directive.

The Transparent and Predictable Working Conditions Directive, on the other hand, aims to address the fact that atypical and precarious forms of work are often associated with unpredictability of income and irregular work schedules (Piasna 2019), contributing to economic insecurity and negative impacts on worker well-being. The Directive requires employers to provide workers with information on essential aspects of their employment relationship, including place of work, pay, predictable work patterns where possible, and – where work patterns are not predictable – information on the guaranteed number of hours they will work and the notice they must be given in advance of being required to work. It includes requirements pertaining to changes to the employment relationship, parallel employment, probationary periods (which must not exceed six months) and a minimum level of

work predictability in terms of reference hours and notice. A worker with six months' service can request a form of employment with more secure and predictable conditions, although the employer is obliged only to give a reasoned reply. The Directive does not, however, tackle the existence of precarious forms of employment as such, nor does it guarantee that the position of workers with precarious contracts will improve. Indeed, it explicitly states that its objective is to 'improve working conditions (...) while ensuring labour market adaptability.' While it adopts a relatively broad definition of 'worker', it allows for Member States to exclude certain workers, including domestic workers, from its scope. As with the Work-Life Balance Directive, in May 2023 the Commission sent reasoned opinions to 19 Member States that had not yet notified the Commission of their implementation measures in full.

The two Directives are certainly important steps forward, but they do have certain shortcomings, and more ambitious measures would have been needed to tackle the deep systemic problems that persist. For example, in the case of the Work-Life Balance Directive, both the Commission and Parliament had proposed more generous provisions, especially in relation to remuneration (Arabadjieva 2022). The delays in implementation are also concerning, though these may be due, in part, to the pandemic, and the Commission is yet to assess the conformity of the implementing measures with the two Directives.

It also remains to be seen how Member States will go about implementing the other major pieces of legislation that have been passed more recently. For instance, the Adequate Minimum Wages Directive, which includes crucial provisions on increasing collective bargaining coverage, is due to be transposed into national law by November 2024. Its standards are already in use by some Member States as a benchmark for increasing their minimum wage (Müller 2023); at the same time, however, a challenge to the Directive on constitutional grounds has been brought before the CJEU by Denmark. The Pay Transparency Directive, which is due to be transposed by June 2026, includes a wide range of measures to tackle gender pay gaps and the undervaluation of work performed by women, but it is a complex and technical piece of legislation that will likely face implementation challenges.

The latest addition to these 'children of the Pillar' is the proposal for a directive on working conditions in the platform economy. EU policymakers are entering uncharted territories with this directive, since it addresses, for the first

time, the disruptive effect of digitalisation in the world of labour. Any assessment of this instrument should therefore be more deeply contextualised in the relative novelty of the phenomenon and the innovative nature of the regulatory approach; for this reason, it merits discussion in a separate section below.

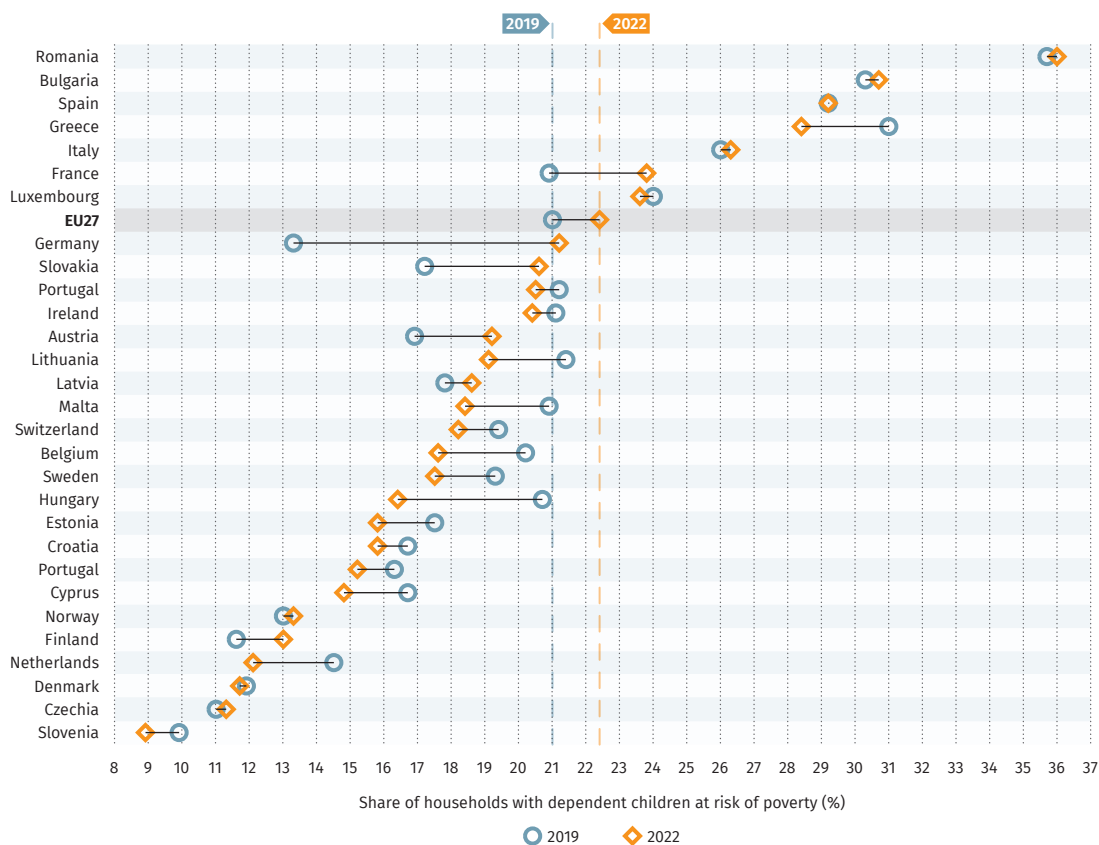
## Strides and struggles: towards an EU Minimum Income Scheme?

Although poverty has been a recognised issue within the European Union for an extended period of time, it has often been demoted to a lesser priority, characterised as a ‘third-order priority for the EU’ (Copeland 2023). Despite the establishment of specific targets, aimed at reducing poverty levels, such as those set for 2020 and 2030, there has been a notable absence of binding measures to address poverty and social exclusion effectively. The data pertaining to this issue are particularly alarming. According to the most recent figures from Eurostat as shown in Figure 2.22, over one fifth (22.4%) of the EU population in households with dependent children was at risk of poverty or social

exclusion in 2022. This risk had increased since 2019, bucking the longer-term trend of a decline. The risk of poverty was highest for Romania, Bulgaria, Spain, Greece and Italy, and lowest for Slovenia, Czechia, Denmark and the Netherlands. The largest increase by far was seen in Germany. Employment is still a key protective factor, with the risk of being in poverty substantially lower for the employed, as can be seen above in the discussion of in-work poverty.

The past year has seen the investment of substantial initial efforts to combat the multifaceted issue of poverty and social exclusion within the Union. This has been particularly evident in the realm of social assistance, and more specifically in means-tested cash transfers, known as Minimum Income Schemes (MIS). In September 2022, the European Commission proposed a non-binding recommendation on minimum income, which was subsequently endorsed by the Council in January 2023. In March 2023, the European Parliament amplified the long-standing appeals of trade unions, civil society organisations and progressive parties (Shahini 2024), and explicitly called for binding legislation in the form of an EU directive.

Figure 2.22 Share of households with dependent children at risk of poverty or social exclusion



Note: The figure shows the share of households with dependent children at risk of poverty or social exclusion (%).  
Source: Eurostat (ilc\_peps03n).

The European Union's initiatives to reform Minimum Income Schemes constitute a pivotal step forward in terms of tackling poverty and social exclusion. Substantial work is still required, however. The current measures, while praiseworthy, represent only the initial stages in a prolonged and intricate process of ensuring that all individuals in need have access to a fundamental level of income security and are effectively integrated into the European welfare states. The activation conditions for working-age individuals who are capable of employment remain excessively stringent. Additionally, both the adequacy and coverage levels of these systems are either insufficient or inefficient, and the rate of non-take-up is exceptionally high, with estimates suggesting that 30% to 40% of those potentially eligible for social assistance do not receive it (European Commission 2022b: 52).

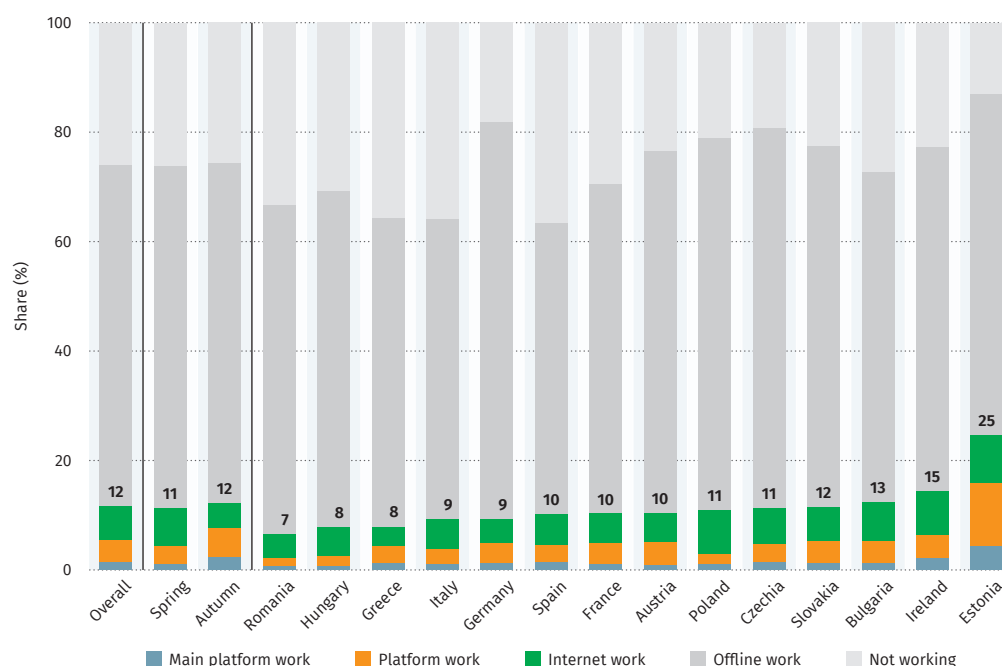
## Platform work: challenges and policy proposals

A growing amount of attention is being devoted to the issue of platform work, with the key issues being the quality of work, algorithmic management and the employment status of workers. While digital labour platforms often present themselves as mere intermediaries, much of the discussion concerns the extent of their control over workers. There is a large amount of variation between digital labour

platforms, and they adapt to the country they are in by means of very different organisational structures and arrangements (Vallas and Schor 2020). It is increasingly contended by scholars that platform work represents just another, possibly aggravated, type of precarious work rather than a truly new type of work (Piasna and Zwysen 2022). Generally, more of the risk is offloaded onto the worker, who is in a de facto position of vulnerability and dependency with regard to the conditions set by the platform (Vallas and Schor 2020; Piasna and Zwysen 2022; Aloisi et al. 2023).

In view of the fact that much of the debate is plagued by a lack of data and uncertainty about the platform economy, in 2021 the ETUI carried out a representative survey in 14 EU countries on the extent to which people of working age engaged in digitally mediated gainful activities. This survey showed that 29% of adults had earned money through the internet at least once, with 17% doing so in the previous year. Narrowing the question to specific types of internet work – clickwork, remote professional work, on-location work in the private sphere, and transport or delivery work – revealed that around 12% had done such tasks in the past year, and half of those had been done through a labour platform. Finally, around 1.5% of working-age people across the EU countries under investigation relied on this work as a main source of income, working at least 20 hours in the past week or earning at least half of their income through it (Piasna et al. 2022). Figure 2.23

Figure 2.23 Labour market participation in internet and platform work across countries



Source: Zwysen and Piasna 2023a: 17.

separates this internet work into different types – main platform work, platform work and internet work – by the two waves of the IPWS survey and by country, revealing that internet work as a whole is least common in Romania, Hungary and Greece, and most common by far in Estonia, Ireland, Bulgaria, Czechia and Slovakia. The percentage of people who are main platform workers is largely similar between countries. Although the platform workforce is therefore not particularly large, the high number of internet workers and the fact that most started only in the past year highlights the growth potential.

Studies generally point out that working conditions are poor, with low pay, unsafe conditions, high work intensity and unpaid hours (Pulignano et al. 2021). This raises the question of why people do it. A recent study shows that a lack of options is an important driver, since people are much more likely to work on platforms when there are few alternatives in the region (Zwysen and Piasna 2023b).

So how can the conditions of platform workers be improved? One option is through legislation, which is an avenue that has been explored by several Member States (Aloisi 2022; Hießl 2022), and also more recently at EU level. Secondly, scope exists for collective bargaining and union action. Workers' mobilisation, trade union organisation and collective agreements are encountering unprecedented challenges in the platform economy. While forms of collectivism are gradually emerging, these typically concern on-location platforms (mostly food delivery), and, even there, significant differences exist between the Member States, suggesting the need for stronger institutional support for representation mechanisms and the creation of spaces for collective voices (Vandaele 2021; Lamannis 2023). The combination of precarious working conditions and a relative lack of collective bargaining initiatives thus reflects an untapped potential for industrial relations actors and trade unions, all the more so considering that a recent study highlights that platform workers are positively inclined to join a trade union compared to the population as a whole (Vandaele et al. 2024).

## Platform Work Directive

The past 12 months have seen intensive institutional efforts at EU level to regulate working conditions in relation to digital labour platforms. The European Commission triggered the first round of consultations with the social partners in February 2021, but a full political agreement between the European Parliament

and the European Council was only reached on 11 March 2024. Twice in the space of a few months the compromise text that emerged from the trilogues did not find sufficient support within the Council, giving little reason to hope that a Directive would actually be adopted. A first deal was almost struck by the Spanish Presidency of the Council, but then eventually rejected by a coalition of Member States (Estonia, Latvia, Lithuania, Bulgaria, Czechia, Finland, France, Greece, Hungary, Ireland, Italy and Sweden) in December 2023. This left the Belgian Presidency of the Council with the difficult task of resuming negotiations and finding sufficient support for the adoption of the Directive before the end of the legislature. A second interinstitutional agreement was eventually reached on 8 February 2024 on an amended text but failed to be endorsed by a majority within the Council, although this time the blocking minority was substantially smaller (France, Germany, Estonia, Greece). Finally, on 11 March, Greece and Estonia reversed their position, granting the Directive the necessary support for being adopted.

At the time of writing, the next step will be the formal approval in the European Parliament, which in all likelihood will proceed smoothly. Although the Directive has not yet been published in the Official Journal, some preliminary observations can already be made. While not as ambitious as the European Parliament's original demands (European Parliament 2022; Aloisi et al. 2024), nor as the text provisionally agreed in December 2023, the final version of the Directive has the merit of addressing and debunking two powerful myths that have been created around the platform economy over the past 10 years. The first is the 'app-based entrepreneurialism' rhetoric, with platforms claiming that they are mere intermediators or coordinators between service providers and customers, thereby generally avoiding the application of employment protection legislation. The second is the idea of algorithm-driven technology as an instrument for the empowerment of workers, which can emancipate them from simple, repetitive and often tedious tasks (Aloisi and De Stefano 2022).

The failures of the Spanish and Belgian Presidencies to find an agreement within the Council substantially complicated the institutional progress of the Directive. A further set back in the adoption of a legal text would have represented a full blown stalemate, and a lost opportunity for the European Union to take a powerful political stance and assert that digital labour platforms should not be immune to employers' obligations.

The vivid academic and policy debate that has accompanied the making of the Directive has nevertheless made it clear that digital labour platforms are just the tip of the iceberg when it comes to the incremental process of integrating algorithmic management and AI into the workplace (Baiocco et al. 2022; Gmyrek et al. 2023; Piasna 2024). Notwithstanding the apparent institutional hesitations, the hope is that the promulgation of the Platform Work Directive can pave the way for a broader policy-making discussion, igniting further reforms to close unaddressed gaps such as the distinction between employees and the self-employed, which remains blurred (Countouris and De Stefano 2023), the definition of a digital labour platform, which is still too narrow (Kocher 2023), algorithmic management rights in the platform economy and beyond (Ponce del Castillo 2023), and EU collective labour law norms in digital work environments, which need to be reinforced (Rainone 2023).

## EU governance framework

As Claire Kilpatrick clearly describes in the editorial to this year's Benchmarking volume, legislative developments are essential to gauge the policy orientation of the EU, but do not always provide a complete picture of the state of Social Europe (Kilpatrick 2023). It is also crucial to consider the country-specific recommendations (CSRs) on social and labour market issues, which are 'soft law' instruments formulated in the context of the European Semester, and which, despite not being legally binding, can influence national policies and have been doing so.

The analyses of the CSRs that have been carried out in previous studies (Clauwaert 2019; Rainone 2022) reveal a correlation between the formulation and direction of the policy prescriptions on the one hand, and the key policy priorities of the Commission's various political administrations, including in the social and labour dimensions, on the other. With the European Union now close to the end of the third political cycle since the launch of the Semester, there is sufficient scope for benchmarking the evolution of the 'social and labour CSRs'. This exercise is all the more interesting given the recurrence of certain contextual frameworks, such as economic crises and the subsequent recovery strategies, and labour market transitions.

As Figure 2.24 below indicates, during the Barroso Commission (until 2014), the emphasis was mostly placed on labour market activation measures (panel (a)), and on 'regressive' reforms

in relation to employment protection, which in essence were deregulation reforms leading to a decline in employment security and working conditions, paired with explicit demands to decrease public spending on social policies. Overall, this policy recipe was conducive to a period of 'austerity', with a tangible retrenchment on social and labour standards across the EU, especially in those countries with high public debts.

After this, the Juncker administration (2014-2019) was characterised by a gradual departure from the more aggressively neoliberal policies, and was a period marked by an increasing focus on (digital) skills (panel (a)), a steep reduction in recommendations requiring regressive employment protection reforms (panel (b)) and a more balanced mix of more fiscally sustainable and more inclusive social spending (panel (c)). The change of pace was also evident from the Juncker Commission's emphasis on strengthening the social dimension of the EU (Juncker et al. 2015; Zeitlin and Vanhercke 2018), which manifested itself most clearly in the adoption of the European Pillar of Social Rights (EPSR) (Garben 2018). The EPSR, together with a related benchmarking tool (the Social Scoreboard), was integrated into the European Semester as a guiding document; both the EU executive and the national governments have since been required to report on the state of implementation of the Pillar in the national context, thus helping to shed light on the most serious social policy shortcomings.

Assessing the social dimension of EU economic governance during the von der Leyen Commission compared to the previous two political cycles is a rather complicated task. The past five years have, in fact, been characterised by a sharp economic recession caused by the Covid-19 pandemic, a surge in inflation and an energy crisis triggered by the Russian invasion of Ukraine. To allow Member States sufficient fiscal space to enact emergency social measures to support the population in the face of lockdown measures and a spike in prices, EU fiscal rules have temporarily been made more flexible (Rainone and Pochet 2022). Most remarkably, the escape clause of the Stability and Growth Pact was activated and a series of financial assistance programmes were established in the context of NextGenerationEU, the most substantial of all being the Recovery and Resilience Facility (Bokhorst 2023).

These unprecedented measures had an impact on the European Semester and, at the same time, on the country-specific recommendations received by the Member States. Overall, two different

phases can be identified. At first, the pandemic was a game changer, leading to an evident departure from previous trends. In 2020, the focus was unequivocally on ensuring a sufficient margin for social investment and providing an adequate safety net for the population (panel (b)) (Rainone 2020), while, in 2021, the whole Semester cycle was de facto suspended to leave scope for the establishment and launch of the Recovery and Resilience Facility, with succinct recommendations pertaining only to the maintenance of a sustainable fiscal stance. This was followed by the 2022 and 2023 cycles. In this two-year window, the Commission once again returned to pre-pandemic trends in terms

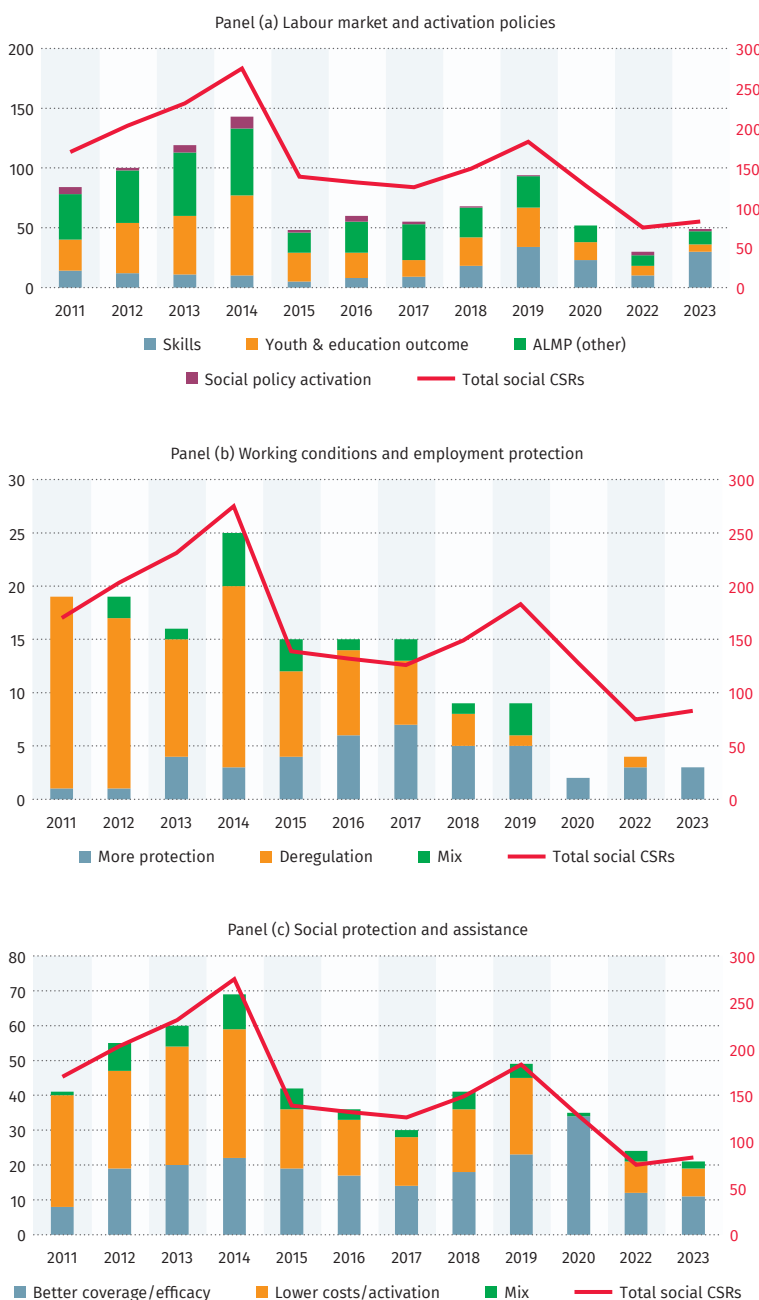
of policy direction, with the emphasis remaining on skills, and a combination of socially progressive and regressive stances in relation to both employment protection and social spending (including pensions, social assistance and various income support mechanisms). A remarkable difference can, however, be seen when looking at the total number of recommendations in the social sphere, which has visibly diminished, especially in the 2023 cycle (see Figure 2.24, panels (a), (b) and (c)).

The reduced number of recommendations in 2023 may anticipate the revised European Semester that will emerge from the economic governance reform. The overall institutional procedure is modified in the new framework, in a manner that partially recalls the process that led to the implementation of the Recovery and Resilience Facility, with the main policy-defining moment no longer being the final recommendations of the Commission and the Council but the mid-term Fiscal Structural programmes defined by the Member States following coordination with the Commissions and the Council.

It is undoubtedly too early to assess the extent to which the new governance framework will affect the social dimension of the European Semester (Theodoropoulou 2024). On the one hand, the Commission's proposal for a governance reform includes a reference to the implementation of the European Pillar of Social Rights as one of the relevant factors to be considered by the EU executive when assessing the national mid-term fiscal and structural programmes (European Commission 2023b: Article 12). On the other hand, no specific and enforceable social progress requirements and guarantees have been put in place, leading to the conclusion that this new framework does not provide sufficiently strong social and employment protection safeguards either.

It is thus reasonable to assume that much will depend on future interinstitutional and political dynamics, not only within the Commission and the Council, but also among the national governments within the Council. The concern that a new austerity wave might follow cannot, therefore, be dismissed (ETUC 2023).

Figure 2.24 CSRs on labour market policies, working conditions and social protection and assistance





# Conclusions

This chapter provides an overview of the situation on the European labour markets and of various social policy developments across Europe. The primary message is that the European labour markets have recovered well from the Covid-19 pandemic in terms of employment. There has been a boom in terms of labour demand, with higher employment rates and lower unemployment as a consequence, and this has also generated better outcomes overall in terms of under-employment. More broadly, there has been a convergence over time between countries and regions within the EU as regards their labour market opportunities. Despite this progress, the groups of workers and residents who do not have access to high-quality jobs and who remain at risk of poverty or social exclusion remain too numerous. This chapter provides new and detailed evidence pertaining to the quality of jobs across the EU, with a focus on different dimensions. Importantly, we also show the substantial variation in and cost of psychosocial risks, which carry a sizeable morbidity and mortality penalty.

Large structural transformations are still ongoing, as the current economic models will be challenged by new technologies, the increasingly urgent need for decarbonisation and a green transition, and the reality of a rapidly ageing European workforce. Substantial shifts in the industrial make-up of Europe can already be discerned, and this trend is likely to continue. It thus remains crucial to monitor progress on the labour market and to ensure that new and transformed jobs provide decent work opportunities for all Europeans.

This chapter also discusses the policy trends in Social Europe, which is a topic of increasing (and well-deserved) attention. The European

Pillar of Social Rights has given rise to several new regulations and pieces of legislation aimed at providing a minimum level of protection for Europeans and lifting them out of poverty. Progress has still been slow, however, and some of the new directives face substantial delays in transposition. One prominent area in which regulations are developing is the situation of platform workers. Discussions on the Platform Work Directive are still under way at the time of writing, but it is clear that renewed policy attention is being focused on the relatively poor working conditions of workers in the platform economy, and especially their misclassification.

This chapter then points to a number of partial successes, namely strong employment growth, as well as a growing role for the EU in tackling social inclusion and the quality of work. However, more work is still needed in terms of reaching agreements and then transposing these initiatives. The most recent example is the Platform Work Directive, where agreement has seemed close but has not yet been reached. While the progress described in this chapter offers some hope that social issues will be given greater consideration, this is by no means a foregone conclusion.

All in all, the contribution made by the many social initiatives to a truly Social Europe will need to be assessed in the light of their content, their national implementation and their enforcement. While progress has been made and should be celebrated, it is important to remember that much remains to be done, and that this progress is fragile and needs to be defended. A much-feared return of austerity, among other challenges, could place Social Europe in jeopardy.

# References

- Acemoglu D. and Restrepo P. (2020) Robots and jobs: evidence from US labor markets, *Journal of Political Economy*, 128 (6), 2188-2244. <https://doi.org/10.1086/705716>
- Aeppli C. and Wilmers N. (2022) Rapid wage growth at the bottom has offset rising US inequality, *Proceedings of the National Academy of Sciences*, 119 (42), e2204305119. <https://doi.org/10.1073/pnas.2204305119>
- Aloisi A. (2022) Platform work in Europe: lessons learned, legal developments and challenges ahead, *European Labour Law Journal*, 13 (1), 4-29. <https://doi.org/10.1177/20319525211062557>
- Aloisi A. and De Stefano V. (2022) Your boss is an algorithm: artificial intelligence, platform work and labour, Hart Publishing.
- Aloisi A., Rainone S. and Countouris N. (2023) An unfinished task? Matching the Platform Work Directive with the EU and international 'social acquis', International Labour Office.
- Aloisi A., Rainone S. and Countouris N. (2024) Platform-work directive: the clock is ticking, *Social Europe*, 25.01.2024. <https://www.socialeurope.eu/platform-work-directive-the-clock-is-ticking>
- Arabadjieva K. (2022) Reshaping the Work-Life Balance Directive with Covid-19 lessons in mind, Working Paper 2022.01, ETUI.
- Autor D.H., Levy F. and Murnane R.J. (2003) The skill content of recent technological change: an empirical exploration, *The Quarterly Journal of Economics*, 118 (4), 1279-1333. <https://www.jstor.org/stable/25053940>
- Baiocco S., Fernandez-Macías E., Rani U. and Pesole A. (2022) The algorithmic management of work and its implications in different contexts, Working Paper Series 2022.02, European Commission. <https://joint-research-centre.ec.europa.eu/system/files/2022-06/JRC129749.pdf>
- Bérestégui P. (2021) Exposure to psychosocial risk factors in the gig economy: a systematic review, Report 2021.01, ETUI.
- Birkelund G.E., Heggebø K. and Rogstad J. (2017) Additive or multiplicative disadvantage? The scarring effects of unemployment for ethnic minorities, *European Sociological Review*, 33 (1), 17-29. <https://doi.org/10.1093/esr/jcw030>
- Bogoeski V. and Rasnača R. (eds.) (2023) Report on the social security rights of short-term third-country national migrant workers, Report 2023.04, ETUI.
- Bokhorst D. (2023) Steering national social reforms through the EU's recovery plan, in Vanhercke B., Sabato S. and Spasova S. (eds.) *Social policy in the European Union: state of play 2022: policy making in a permacrisis*, ETUI-OSE, 25-41.
- Bowen A. and Hancké B. (2019) The social dimensions of 'greening the economy': developing a taxonomy of labour market effects related to the shift toward environmentally sustainable economic activities, Publications Office of the European Union. <https://data.europa.eu/doi/10.2767/448791>
- Causa O., Abendschen M., Luu N, Soldani E. and Sorriolo C. (2022) The post-Covid-19 rise in labour shortages, Economics Department Working Papers 1721, OECD Publishing.
- Cedefop (2022) An ally in the green transition: vet, especially apprenticeship, can provide the skills needed for greening jobs and in turn help shape them, Publications Office of the European Union. <https://data.europa.eu/doi/10.2801/712651>
- Chieragato E. (2020) A work-life balance for all? Assessing the inclusiveness of EU Directive 2019/1158, *International Journal of Comparative Labour Law and Industrial Relations*, 36 (1), 59-80. <https://doi.org/10.54648/ijcl2020004>
- Clauwaert S. (2019) The country-specific recommendations (CSRs) in the social field: an overview and comparison. Update including the CSRs 2019-2020, Background analysis 2019.03, ETUI.
- Copeland P. (2023) Poverty and social exclusion in the EU: third-order priorities, hybrid governance and the future potential of the field, *Transfer*, 29 (2), 219-233. <https://doi.org/10.1177/10242589231171091>
- Corti F., Liscai A. and Ruiz T. (2022) The recovery and resilience facility: boosting investment in social infrastructure in Europe?, *Italian Labour Law e-Journal*, 15 (1S), 15-30. <https://doi.org/10.6092/issn.1561-8048/15706>
- Countouris N. and De Stefano V. (2023) Out of sight, out of mind? Remote work and contractual distancing, in Countouris N., De Stefano V., Piasna A. and Rainone S. (eds.) *The future of remote work*, ETUI, 147-161.
- Dauth W., Findeisen S., Suedekum J. and Woessner N. (2021) The adjustment of labor markets to robots, *Journal of the European Economic Association*, 19 (6), 3104-3153. <https://doi.org/10.1093/jeea/jvab012>
- De Wispelaere F., De Smedt L. and Pacolet J. (2022) Posted workers in the European Union. Facts and figures, HIVA - KU Leuven.
- Drenik A., Jäger S., Plotkin P. and Schoefer B. (2023) Paying outsourced labor: direct evidence from linked temp agency-worker-client data, *The Review of Economics and Statistics*, 105 (1), 206-216. [https://doi.org/10.1162/rest\\_a\\_01037](https://doi.org/10.1162/rest_a_01037)
- EIGE (2021) Gender inequalities in care and consequences for the labour market, Publications Office of the European Union. <https://data.europa.eu/doi/10.2839/509>
- ETUC (2023) New EU economic rules bring back risk of austerity, Press Release, 26.04.2023. <https://www.etuc.org/en/pressrelease/new-eu-economic-rules-bring-back-risk-austerity>
- EU-OSHA (2022) OSH pulse - occupational safety and health in post-pandemic workplaces - Report, Publications Office of the European Union. <https://data.europa.eu/doi/10.2802/478476>

- Eurofound (2017) European working conditions survey 2015. Working conditions of workers of different ages, Publications Office of the European Union. <https://data.europa.eu/doi/10.2806/879475>
- Eurofound (2022) Living and working in Europe 2021, Publications Office of the European Union. <https://data.europa.eu/doi/10.2806/880965>
- European Commission (2023a) Commission proposes new measures on skills and talent to help address critical labour shortages, Press release, 15.11.2023. [https://ec.europa.eu/commission/presscorner/detail/en/IP\\_23\\_5740](https://ec.europa.eu/commission/presscorner/detail/en/IP_23_5740)
- European Commission (2023b) Proposal for a regulation of the European Parliament and of the Council on the effective coordination of economic policies and multilateral budgetary surveillance and repealing Council Regulation (EC) no 1466/97, COM (2023) 240 final, 26.04.2023.
- European Commission (2022a) Employment and social developments in Europe 2022: annual review, Publications Office of the European Union. <https://data.europa.eu/doi/10.2767/229768>
- European Commission (2022b) Social protection committee annual report 2022: review of the social protection performance monitor (SPPM) and developments in social protection policies, key social challenges and main messages, Publications Office of the European Union. <https://data.europa.eu/doi/10.2767/778362>
- Eurostat (2024) Temporary employees by sex, age and main reason (Lfsa\_etgar), online dataset. [https://ec.europa.eu/eurostat/databrowser/product/view/lfsa\\_etgar?category=labour.employ.lfsa.lfsa\\_emptemp](https://ec.europa.eu/eurostat/databrowser/product/view/lfsa_etgar?category=labour.employ.lfsa.lfsa_emptemp), downloaded on 08/01/2024
- Eurostat (2024) Involuntary part-time employment as percentage of the total percentage of the total part-time employment, by sex and age (%) (Lfsa\_epgai), online dataset. [https://ec.europa.eu/eurostat/databrowser/view/lfsa\\_epgai/default/table?lang=en&category=labour.employ.lfsa.lfsa\\_empftpt](https://ec.europa.eu/eurostat/databrowser/view/lfsa_epgai/default/table?lang=en&category=labour.employ.lfsa.lfsa_empftpt), downloaded on 08/01/2024
- European Labour Authority (2023) EURES report on labour shortages and surpluses - 2022, Publications Office of the European Union. <https://data.europa.eu/doi/10.2883/50704>
- European Parliament (2022) Report on the proposal for a directive of the European Parliament and of the Council on improving working conditions in platform work A9-0301/2022, 21.12.2022, European Parliament. [https://www.europarl.europa.eu/doceo/document/A-9-2022-0301\\_EN.pdf](https://www.europarl.europa.eu/doceo/document/A-9-2022-0301_EN.pdf)
- Franklin P., Bérastégui P., Cefaliello A., Musu T. and Schaapman M. (2021) Occupational health and safety inequalities in the EU, in ETUI and ETUC (eds.) Benchmarking working Europe 2021. Unequal Europe, ETUI, 132-155.
- Garben S. (2018) The European Pillar of Social Rights: effectively addressing displacement?, *European Constitutional Law Review*, 14 (1), 210-230. <https://doi.org/10.1017/S1574019618000093>
- Garben S. (2019) The European Pillar of Social Rights: an assessment of its meaning and significance, *Cambridge Yearbook of European Legal Studies*, 21, 101-127. <https://doi.org/10.1017/cel.2019.3>
- Ge L., Liu S., Li S., Yang J., Hu G., Xu C. and Song W. (2022) Psychological stress in inflammatory bowel disease: psychoneuroimmunological insights into bidirectional gut-brain communications, *Frontiers in Immunology*, 13, 1016578. <https://doi.org/10.3389/fimmu.2022.1016578>
- Gmyrek P., Berg J. and Bescond D. (2023) Generative AI and jobs: a global analysis of potential effects on job quantity and quality, Working Paper 96, International Labour Office. <https://doi.org/10.54394/FHEM823>
- Goos M., Manning A. and Salomons A. (2014) Explaining job polarization: routine-biased technological change and offshoring, *American Economic Review*, 104 (8), 2509-2526. <http://dx.doi.org/10.1257/aer.104.8.2509>
- Gregg P. and Tominey E. (2005) The wage scar from male youth unemployment, *Labour Economics*, 12 (4), 487-509. <https://doi.org/10.1016/j.labeco.2005.05.004>
- Hießl C. (2022) The legal status of platform workers: regulatory approaches and prospects of a European solution, *Italian Labour Law e-Journal*, 15 (1), 13-28. <https://doi.org/10.6092/issn.1561-8048/15210>
- ILO (2021) World employment and social outlook 2021: the role of digital labour platforms in transforming the world of work, International Labour Office.
- IMF (2022) A greener labor market: employment, policies, and economic transformation, in IMF (2022) World Economic Outlook. War sets back the global recovery, April 2022, International Monetary Fund, 67-86. <https://www.elibrary.imf.org/display/book/9781616359423/CH003.xml>
- International Federation of Robotics (2021) World Industrial Robotics 2021, dataset, downloaded 01/12/2021.
- Janta B. and Stewart K. (2018) Paternity and parental leave policies across the European Union: assessment of current provision, Publications Office of the European Union. <https://data.europa.eu/doi/10.2767/51284>
- Juncker J.C., Tusk D., Dijsselbloem J., Draghi M. and Schulz M. (eds.) (2015) Completing Europe's economic and monetary union, European Commission.
- Kilpatrick C. (2023) The roaring 20s for social Europe. the European Pillar of Social Rights and burgeoning EU legislation, *Transfer: European Review of Labour and Research*, 29 (2), 203-217. <https://doi.org/10.1177/10242589231169664>
- Kocher E. (2023) A timid proposal, *Verfassungsblog*, 18.07.2023. <https://verfassungsblog.de/a-timid-proposal>
- Lamannis M. (2023) Collective bargaining in the platform economy: a mapping exercise of existing initiatives, Report 2023.02, ETUI.
- Lane M., Williams M. and Broecke S. (2023) The impact of AI on the workplace: main findings from the OECD AI surveys of employers and workers, *Social, Employment and Migration Working Papers 288*, OECD Publishing. <https://doi.org/10.1787/ea0a0fe1-en>

- Leschke J., Watt A. and Finn M. (2008) Putting a number on job quality? Constructing a European job quality index, ETUI-REHS.
- Maricut A. and Puetter U. (2018) Deciding on the European semester: the European Council, the Council and the enduring asymmetry between economic and social policy issues, *Journal of European Public Policy*, 25 (2), 193-211. <https://doi.org/10.1080/13501763.2017.1363271>
- Mavromaras K., Sloane P. and Wei Z. (2015) The scarring effects of unemployment, low pay and skills under-utilization in Australia compared, *Applied Economics*, 47 (23), 2413-2429. <https://doi.org/10.1080/00036846.2015.1008762>
- Müller T. (2023) Minimum wage developments in 2022: fighting the cost-of-living crisis, Policy Brief 2023.02, ETUI.
- OECD (2011) Pensions at a glance 2011: retirement-income systems in OECD and G20 countries, OECD Publishing. [https://doi.org/10.1787/pension\\_glance-2011-en](https://doi.org/10.1787/pension_glance-2011-en)
- OECD (2021a) The rise of domestic outsourcing and its implications for low-pay occupations, in OECD employment outlook 2021: navigating the Covid-19 crisis and recovery, OECD Publishing, 211-273.
- OECD (2021b) Pensions at a glance 2021: OECD and G20 indicators, OECD Publishing. <https://doi.org/10.1787/ca401ebd-en>
- OECD (2023) Pensions at a glance 2023: OECD and G20 indicators, OECD Publishing. <https://doi.org/10.1787/678055dd-en>
- Piasna A. (2023) Job quality in turbulent times: an update of the European Job Quality Index, Working Paper 2023.05, ETUI.
- Piasna A. (2024) Job quality and digitalisation, Working Paper 2024.01, ETUI.
- Piasna A. (2019) Regulating uncertainty: variable work schedules and zero-hour work in EU employment policy, Policy Brief 5.2019, ETUI.
- Piasna A. and Zwysen W. (2022) New wine in old bottles: organizing and collective bargaining in the platform economy, *International Journal of Labour Research*, 11 (1-2), 35-46.
- Piasna A., Burchell B. and Sehnbruch K. (2019) Job quality in European employment policy: one step forward, two steps back?, *Transfer*, 25 (2), 165-180. <https://doi.org/10.1177/1024258919832213>
- Piasna A., Zwysen W. and Drahokoupil J. (2022) The platform economy in Europe: results from the second ETUI internet and platform work survey, Working Paper 2022.05, ETUI.
- Ponce del Castillo A. (2023) Regulating algorithmic management in the Platform Work Directive: correcting risky deviations, *Global Workplace Law & Policy*, 22.11.2023.
- Pulignano V., Piasna A., Domecka M., Muszyński K. and Vermeerbergen L. (2021) Does it pay to work? Unpaid labour in the platform economy, Policy Brief 2021.15, ETUI.
- Rainone S. (2020) An overview of the 2020-2021 country-specific recommendations (CSRs) in the social field: the impact of Covid-19, Background Analysis 2020.01, ETUI.
- Rainone S. (2022) The 2022 country specific recommendations in the social field: quo vadis, EU recovery? An overview and comparison with previous European Semester cycles, Report 2022.08, ETUI.
- Rainone S. (2023) More than formal recognition? Collective labour rights in the Platform Work Directive, *Verfassungsblog*, 19.07.2023. <https://verfassungsblog.de/more-than-formal-recognition>
- Rainone S. and Aloisi A. (2021) Time to deliver? Assessing the action plan on the European Pillar of Social Rights, Policy Brief, European Economic, Employment and Social Policy 2021.08, ETUI.
- Rainone S. and Pochet P. (2022) The EU recovery strategy - a blueprint for a more social Europe or a house of cards?, Working Paper 2022.18, ETUI.
- Rasnača Z. (2017) Bridging the gaps or falling short? the European Pillar of Social Rights and what it can bring to EU-level policymaking 2017.05, ETUI.
- Rodriguez-Pose A. and Bartalucci F. (2023) Regional vulnerability to the green transition, Publications Office of the European Union. <https://data.europa.eu/doi/10.2873/739058>
- Seiwert S. (2023) The European Pillar of Social Rights: a dangerous distraction?, *International Journal of Comparative Labour Law and Industrial Relations*, 39 (2), 237-246. <https://doi.org/10.54648/ijcl2023016>
- Shahini V., Panaro A.V. and Jessoula M. (2024) The politics of minimum income protection in the EU: the long road to a Council Recommendation, in Vanhercke B., Sabato S. and Spasova S. (eds.) Social policy in the EU: state of play 2023, ETUI- OSE.
- Sharma K. et al. (2022) Stress-induced diabetes: a review, *Cureus*, 14 (9), e29142. <https://doi.org/10.7759/cureus.29142>
- Sultan-Taïeb H., Villeneuve T., Chastang J.F. and Niedhammer I. (2023) The fractions and burden of cardiovascular diseases and depression attributable to psychosocial work exposures in the European Union, Report 2023.08, ETUI.
- Theodoropoulou S. (2024) Debating the reform of the EU's economic governance: implications for Social Europe, in Vanhercke B., Sabato S. and Spasova S. (eds.) Social policy in the European Union: state of play 2023, OSE -ETUI.
- Tomaskovic-Devey D. et al. (2020) Rising between-workplace inequalities in high-income countries, *Proceedings of the National Academy of Sciences*, 117 (17), 9277-9283. <https://doi.org/10.1073/pnas.1918249117>
- Vallas S. and Schor J.B. (2020) What do platforms do? Understanding the gig economy, *Annual Review of Sociology*, 46 (1), 273-294. <https://doi.org/10.1146/annurev-soc-121919-054857>
- Vandaele K. (2021) Collective resistance and organizational creativity amongst Europe's platform workers: a new power in the labour movement?, in Haidar J. and Keune M. (eds.) Work and labour relations in global platform capitalism, Edward Elgar, 206-235.

- Vandaele K., Piasna A. and Zwysen W. (2024) Are platform workers willing to unionize? Exploring survey evidence from 14 European countries, Working Paper 106, International Labour Office. <https://doi.org/10.54394/QWUL5553>
- Vandeplas A., Vanyolos I., Vigani M. and Vogel L. (2022) The possible implications of the green transition for the EU labour market, European Economy Discussion Paper 176, Publications Office of the European Union. <https://data.europa.eu/doi/10.2765/583043>
- Vanhercke B., Sabato S. and Spasova S. (2023) Conclusions: policymaking in a state of permacrisis: can the EU uphold its social ambitions, in Vanhercke B., Sabato S. and Spasova S. (eds.) Social policy in the European Union: state of play 2022, ETUI-OSE, 137-157.
- Vona F. (2021) Labour markets and the green transition: a practitioner's guide to the task-based approach, Publications Office of the European Union. <https://doi.org/10.2760/65924>
- Zeitlin J. and Vanhercke B. (2018) Socializing the European Semester: EU social and economic policy co-ordination in crisis and beyond, *Journal of European Public Policy*, 25 (2), 149-174. <https://doi.org/10.1080/13501763.2017.1363269>
- Zwysen W. (2023a) Labour shortages - turning away from bad jobs, Policy Brief 2023.03, ETUI.
- Zwysen W. (2023b) Working apart : polarisation driven by widening firm gaps and outsourcing, Working Paper ETUI 2023.03, ETUI.
- Zwysen W. and Akgüç M. (2023) Analysing the flows and labour market outcomes of short-term mobile workers in the EU, Working Paper 2023.07, ETUI.
- Zwysen W. and Piasna A. (2023a) Juggling online gigs with offline jobs: how local labour markets are driving the growth in internet and platform work, Working Paper 2023.02, ETUI.
- Zwysen W. and Piasna A. (2023b) Pushed online: what characteristics of regional offline labour markets influence the expansion of internet and platform work?, *New Technology, Work and Employment*, Early view, 1-26. <https://doi.org/10.1111/ntwe.12277>

All links were checked on 06.02.2024

# 3. Wages and collective bargaining: the Adequate Minimum Wages Directive as a game changer



Torsten  
Müller



Kurt  
Vandaele



Wouter  
Zwysen

Cite this chapter: Müller T., Vandaele K. and Zwysen W. (2024) Wages and collective bargaining: the Adequate Minimum Wages Directive as a game changer, in Piasna A. and Theodoropoulou S. (eds.) (2024) Benchmarking Working Europe 2024, ETUI and ETUC.

# Topics

Introduction	89
Wage developments	90
Developments in minimum wages	95
Developments in collective bargaining	101
Developments in unionisation and strike activity	103
Conclusions	108



The adoption of the Adequate Minimum Wages Directive was only the first step. Its actual significance in terms of promoting a more social Europe will ultimately be decided by its implementation

**Torsten Müller, Kurt Vandaele and Wouter Zwysen**

# Introduction

Safeguarding workers' purchasing power remained the key challenge in the field of wages and collective bargaining in 2023. Although inflation decreased compared to 2022, consumer prices still remained at high levels and, for some commodities, continued rising at considerable rates. In 2023, collective bargaining in the EU Member States was shaped by ambiguous framework conditions (European Commission 2023a). On the one hand, tight labour market conditions marked by low unemployment and persistently high labour shortages increased the trade unions' bargaining power to obtain better wages and working conditions for workers. On the other hand, modest economic growth and continuing geopolitical tensions had the opposite effect of making it more difficult for trade unions to negotiate wage increases to make up for the loss in purchasing power. Against this background, the focus of this chapter will be on the development of wages, minimum wages, wage inequality, collective bargaining and strike activities under such circumstances. In the light of the 20<sup>th</sup> anniversary of the EU enlargement in 2004, when 10 countries joined the European Union, particular attention will be paid to the issue of (minimum) wage convergence between western countries and the eight central and eastern European countries that joined in 2004, plus Romania and Bulgaria, which joined three years later in 2007.

The second focus of this chapter is on reviewing the development of the social dimension in the field of wages and collective bargaining, and in particular the role of the EU Directive on adequate minimum wages in this respect. The adoption of the Directive on adequate minimum wages in the European Union (European Parliament and Council of the European Union 2022) on 19 October 2022 marked a milestone by promoting a more socially oriented approach in the field of wages and collective bargaining, and by doing so on the journey towards a more social Europe in broader terms. The Directive was historic in several respects: first, it represented the first-ever piece of EU legislation explicitly aimed at ensuring adequate minimum wages and strengthening collective bargaining, thus marking a turning point in the decades-long debate on the possibilities and limits of a European minimum wage policy. Second, with regard to the European integration process, it was one of the most significant expressions of the shift in the discourse over the EU's social dimension, which for decades was dominated by the neoliberal paradigm of market liberalisation. Against this background, this chapter will illustrate how the Directive, even before its transposition into national law, is influencing policy debates in the field of wages and collective bargaining, and thus promoting the social dimension.



# Wage developments

Figure 3.1 demonstrates that the strong increase in nominal compensation in 2022 continued in 2023, ranging from increases of just below 4% in Italy, Denmark and Sweden to very substantial increases in Bulgaria (12.6%), Hungary (14.2%) and Romania (15%).

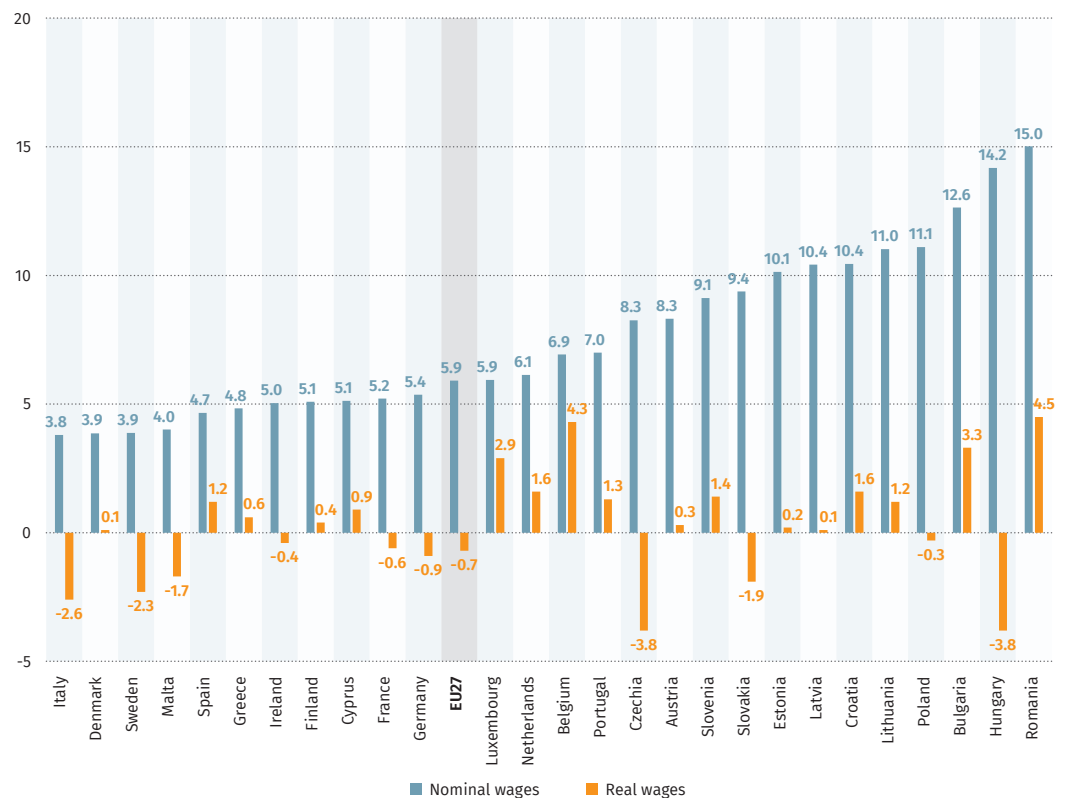
However, Figure 3.1 also illustrates a clear east-west divide as regards the development of nominal compensation. The 10 countries with the strongest increase in nominal compensation in 2023 are all central and eastern European countries. This suggests a continuation of the catching-up process, with upward wage convergence realising one of the EU's long-term social objectives in the field of wages and collective bargaining. However, a more fine-grained analysis of wage convergence (see below) yields a more nuanced picture as regards within-group developments.

A look at the development of real compensation illustrates that, in 10 countries, even the high nominal increases in 2023 were not enough to

offset employees' loss of purchasing power through high inflation. After the historic drop in real compensation in 2022 (Müller et al. 2023), in many EU Member States real compensation recovered slightly in 2023, but workers in 10 countries still suffered from real wage decreases. These ranged from -0.4% in France and -0.1% in Ireland to -2% and more in Italy (-2%), Hungary (-2.4%) and Czechia (-3.3%). The decrease was particularly dramatic in Czechia, which also belonged to the countries with the largest drop in real compensation in 2022, with a drop of 6%. The strongest increases in real compensation took place in Bulgaria (3.7%), Belgium (4.5%) and Romania (4.8%).

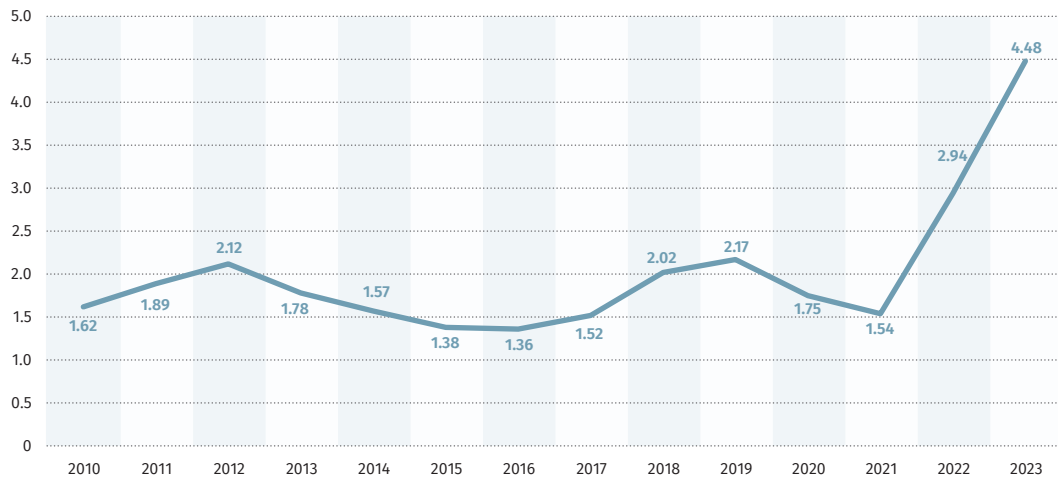
Figure 3.2 shows the development of negotiated wages in the euro area since 2010, demonstrating that the strong increase in nominal compensation is the result of the trade unions' bargaining objective of safeguarding workers' purchasing power in the light of high inflation. However, it should be noted that, despite the unprecedented increase in collectively agreed

Figure 3.1 **Development of nominal and real compensation\* per employee in 2023 (change in % compared with previous year)**



Note: \* Nominal compensation per employee: total economy (national currency). Real compensation per employee is nominal compensation deflated by annual average change in HICP. As real compensation represents the purchasing power of compensation, i.e. the ratio of harmonized nominal compensation to prices, real compensation has been calculated using the following formula: nominal compensation multiplied by 100 divided by the consumer price index. Source: AMECO database (HWCDW), 23 December 2023 for nominal compensation; Eurostat (2023a) for HICP, 23 December 2023.

Figure 3.2 Development of collectively agreed wages in the euro area (annual rate of change %; 2010-2023\*)



Note: \* Data for 2023 = average of first three quarters.  
Source: ECB indicator of negotiated wage rates.

wages, it still remained well below the average annual rate of inflation of 5.4% for 2023 (Eurostat 2023a).

Overall, a prominent feature of wage bargaining during 2023 was the pursuit of a solidaristic wage policy taking into account the fact that low-wage earners were particularly hard hit by inflation. As a consequence, many agreements combined structural percentage increases and fixed minimum lump-sum increases to ensure a disproportional percentage increase for lower wage groups. In some countries such as Italy, the Netherlands and, most notably, Germany, the regular pay increase was accompanied by one-off payments. In Germany, the government actively supported one-off payments of up to 3,000 euros by ensuring that no taxes or social security contributions had to be paid for the ‘inflation compensation bonus’. As a consequence, virtually all collective agreements signed in 2023 in Germany included such a one-off payment to be paid over time in various – most commonly two – instalments (WSI-Tarifarchiv 2023).

The advantages of such one-off payments are as follows: first, they have a more pronounced effect for low-wage workers and are, therefore, another element of a solidaristic wage policy; second, they have an immediate impact in compensating for the loss of purchasing power, and, third, they have no lasting effect on the pay scale and therefore carry less risk of contributing to inflationary pressures, for instance through second-round effects, as percentage increases would potentially do (Rodriguez Contreras and Molina Romo 2023). From an employee perspective, however, this last point is also the main weakness of one-off payments. Precisely because they have no effect on the pay scale

and because they always come at the cost of lower percentage increases (with a direct impact on the pay scale), in the long run one-off payments have a negative impact on wage developments. This is confirmed by Bispinck (2023), who analysed the long-term impact of the ‘inflation compensation bonus’ on wages in Germany. According to Bispinck (2023: 5), the ‘inflation compensation bonus’ is a ‘poisoned chalice’ because, from a point in time as early as the second year, a corresponding wage increase with a direct impact on the pay scale instead of the one-off payment would have led to a higher annual income for employees. Against this background and for this reason, trade unions in Austria rejected one-off payments and focused instead on higher percentage increases with a direct pay scale effect (ÖGB 2023). As a consequence, one-off payments are a very rare exception in collective agreements in Austria.

Another prominent feature of collective agreements concluded in 2023 is their longer duration (ETUI 2024). In most cases, the duration of (sectoral) collective agreements is between 20 and 24 months. Once again, a notable exception is Austria, where most collective agreements run for one year. In some countries, such as the Netherlands and Spain, agreements with longer durations tend to include a clause that enables the re-negotiation of terms and conditions if economic circumstances change dramatically. Yet another common feature of collective agreements concluded in 2023 across the EU is the fact that, in addition to the regular wage increase, other components were increased, namely additional allowances such as shift- and nightwork bonuses, food subsidies, Christmas and holiday allowances, and also contributions to pension schemes.

## Wage inequality

A solidaristic wage policy is one way to reduce wage inequality – an issue that also receives much attention in the EU Adequate Minimum Wages Directive, which aims to address in-work poverty and low wage work directly. However, inequality is also a complex topic, since it can be measured in different ways and also varies strongly between countries, depending on the institutional and economic context.

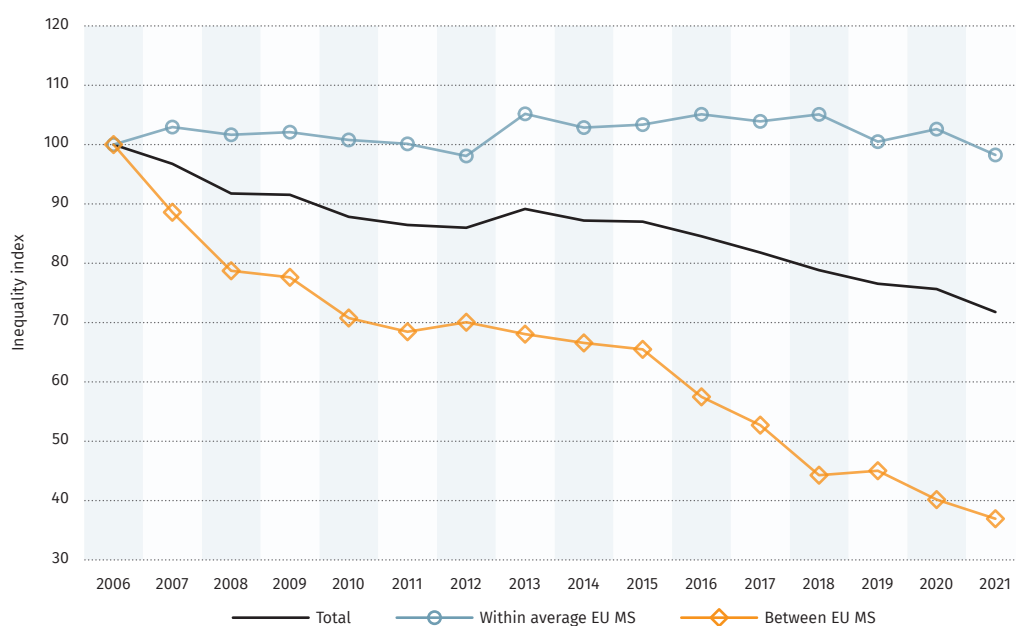
Cross-national research generally finds an overall increase in wage inequality in the long term since the 1980s, particularly between firms (Criscuolo et al. 2020; Tomaskovic-Devey et al. 2020). Such inequality is influenced by several factors. On the one hand, new technologies and globalisation are linked with rising pay differences between firms and between workers (Criscuolo et al. 2020; Zwysen 2022). On the other hand, over time there has generally been a decline in the institutional protection of workers through a reduction in collective bargaining coverage and lower union density (Müller et al. 2019; Waddington et al. 2023; Zwysen and Drahokoupil 2023). However, evidence from Europe is generally somewhat mixed, with an overall decline in inequality since the early 2000s (Zwysen 2022) and substantial variation between countries (Dreger et al. 2015). Furthermore, increasing labour shortages have generally strengthened the bargaining position of lower-paid workers, resulting in declining wage inequality (Aeppli and Wilmers 2022).

Part of this is reflected in the negotiated wages and agreements as discussed above. In their comparison of the European Union and the United States, Filauro and Parolin (2019) found that inequality is lower across the EU as a whole than across the United States, and furthermore that it did not increase in the EU over the period between 2006 and 2014, whereas it did in the United States.

At EU level, the overall spread of real wages between workers declined by over one fifth from 2006 to 2021, solely because wage differences between countries declined. Figure 3.3 illustrates the spread of hourly wages over the whole of the EU (excluding Croatia and Malta) from 2006 to 2021. The total inequality is separated into the part that is due to differences between workers in the same country, reflecting how pay is set based on socio-demographic characteristics and jobs, and the part that is due to differences in wage levels between countries. By 2021, the wage differences between EU Member States had more than halved compared to 2006. At the same time, wage differences within countries remained, on average, relatively stable. Specifically, this means that the difference in wages between countries became smaller over time. Indeed, this is in line with earlier research indicating that wage inequality across the EU as a whole is steadily declining as wages between the different countries converge (Filauro and Parolin 2019).

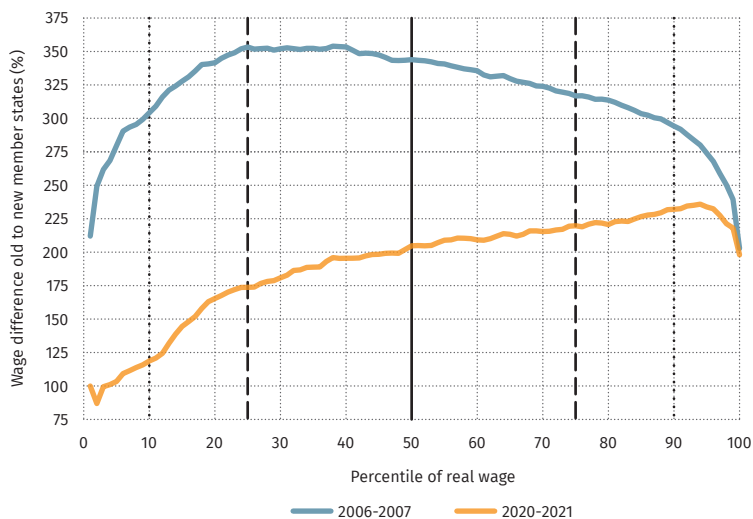
This convergence over time points to the need to look at wage levels between countries in

Figure 3.3 Wage inequality within and between EU Member States



Note: The figure shows the evolution of wage inequality, measured as the variance of logarithmically transformed wages across the EU27 excluding Malta and Croatia over time. It is decomposed into the part between and within countries.  
Source: Own calculations using EU-SILC 2007-2022, weighted.

Figure 3.4 Wage differences between pre-2004 and post-2004 Member States over time (2006-2007 and 2020-2021)



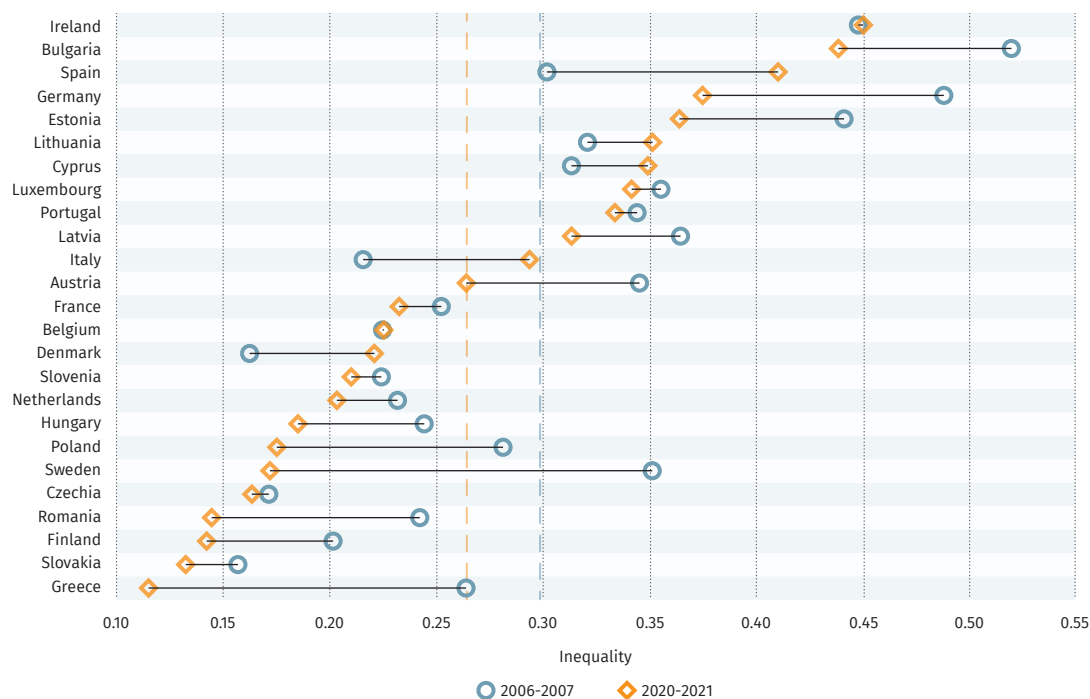
Note: The figure shows the relative difference in wages over percentiles in the pre-2004 Member States and the post-2004 Member States in the periods 2006-2007 and 2020-2021. Two years are pooled to increase the sample size. Wages are approximated hourly wages for employees aged 16-64 who earned a labour income in the reference years.  
Source: Own calculations using EU-SILC 2007-2022, weighted, excluding Malta and Croatia.

more detail. Figure 3.4, therefore, addresses this convergence across time more directly by plotting the relative wage difference between wages over the wage distribution in two parts of the EU: the older Member States and the post-2004 Member States. This figure shows how much higher the average real wage at each point of the wage distribution was in the older versus the newer Member States in 2006-2007 and in

2020-2021. More specifically, the median worker in the older EU Member States earned 350% of the wage of the median worker in the newer EU Member States in 2006-2007, and by 2020-2021 this difference had decreased to about 200%. While this does, of course, still mean that very large wage differences exist, since the median worker earns three times as much in the older as in the newer Member States, it also shows that median wages increased much more in the newer Member States than in the older ones. This again highlights the stronger convergence. Most importantly, during this period the financial crisis hit, in particular, the older Member States quite hard, and may have contributed to their lower wage growth.

A further interesting point is that, whereas in 2006-2007 the wage differences between groups of Member States were relatively smaller at the very top of the wage distributions, meaning the highest earners in the new Member States had earnings closer to the highest incomes in the older Member States, this was reversed by 2020-2021. By this point in time, the lower wages in the newer Member States had grown relatively much closer to the wages in the older Member States than the higher wages, indicating very large growth at the lower end of the wage distribution and generally reducing wage inequality. Among other things, this reflects the more dynamic development of minimum wages in the newer Member States. For instance, wages at the 10<sup>th</sup>

Figure 3.5 Development of wage inequality in EU Member States (2006/2007; 2020/2021)



Note: The figure shows the evolution of wage inequality, measured as the variance of logarithmically transformed wages across the EU27 excluding Malta and Croatia over time. It is decomposed into the part between and within countries.  
Source: Own calculations using EU-SILC 2007-2022, weighted.

percentile were 300% higher in the old than in the new Member States in 2006-2007, but by 2020-2021 this gap had been reduced to 120%. By contrast, wages at the 90<sup>th</sup> percentile were 295% higher in the old than in the new Member States in 2006-2007, and this gap was still 232% by 2020-2021.

The discussion so far has focused on inequality across the EU, but it is also important to consider what happens to inequality within EU Member States. On average, the spread of wages within countries declined somewhat in the EU as a whole, but it did increase in 7 of the 25 countries under examination. Figure 3.5 shows, first of all, that there was sizeable variation in wage inequality between countries in 2020-2021. It was estimated to be highest overall in Ireland, Bulgaria, Spain, Germany and Estonia, and lowest in Greece, Slovakia, Finland, Romania, Czechia and Sweden. There is also large variation in the trends over time. Wage inequality increased markedly over time in Spain, Italy and Denmark, while inequality declined significantly in

Sweden, Greece, Poland, Germany and Romania. The key question is, therefore, whether there is an identifiable pattern related to drivers of these trends in variation between countries. We can see that, on average, wage inequality tends to be lower where more workers are covered by multi-employer collective agreements (correlation of -0.26), by firm-level agreements (-0.2)<sup>1</sup> or where more workers are unionised (-0.2).<sup>2</sup> Wage inequality also tends to be lower in those countries where there are higher labour shortages as measured by job vacancy rates (-0.17)(Eurostat 2023b).

In summary, wage inequality in Europe has been declining strongly between countries but has remained relatively stable within countries. However, this hides large variation both in levels and in changes between countries. Descriptively, there is also a clear association between the level of inequality and institutional factors related to worker representation and collective bargaining.

- 
1. Measured as weighted average of covered workers from the EU Structure of Earnings Survey.
  2. Measured using the OECD AIAS ICTWSS dataset (6.1).

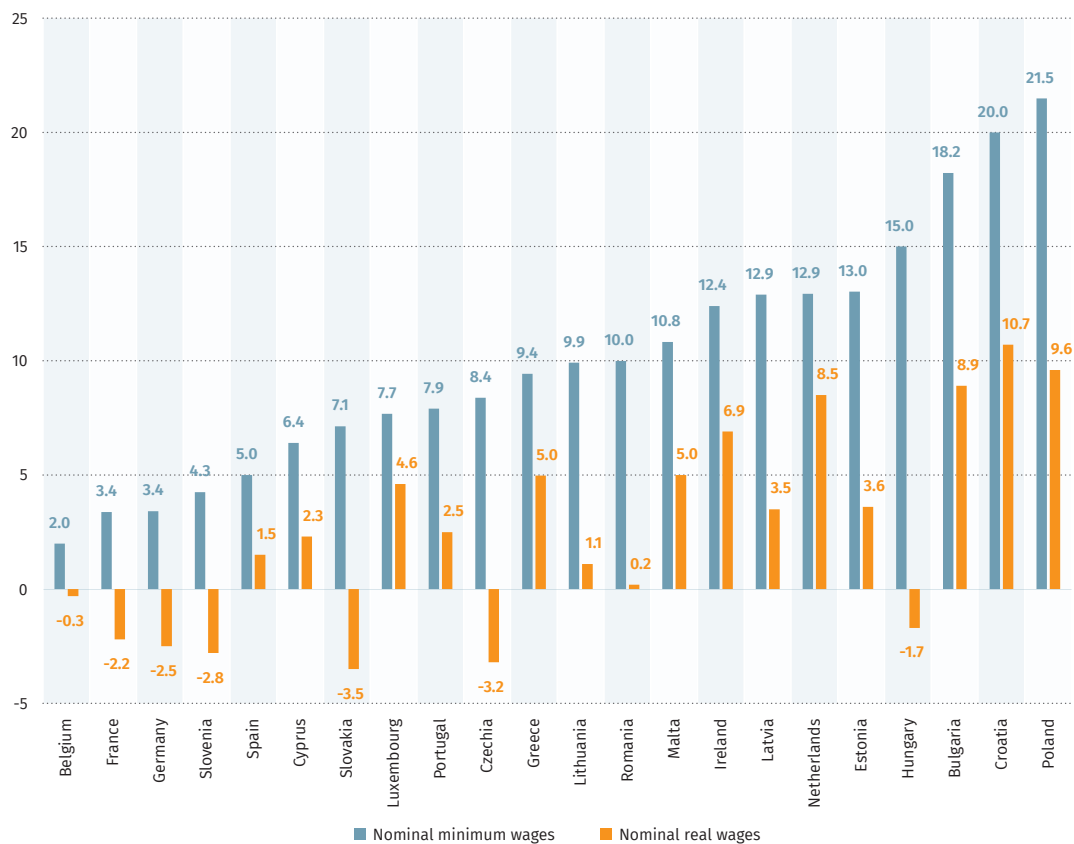
# Developments in minimum wages

Minimum wage increases continued to play a key role in protecting low-wage earners' purchasing power in 2023, with substantial increases in the majority of countries. Figure 3.6 illustrates that three broad groups of EU Member States can be distinguished as regards the development of nominal statutory hourly minimum wages. The first group, with the smallest increases (between 2% and 7%), consists of six countries, ranging from Belgium (2%) to Spain (5%) and Cyprus (6.4%). The second group consists of six countries with increases of between 7% and 10%, ranging from Slovakia (7.1%) to Greece (9.4%) and Lithuania (9.9%). The group with the largest increases (10% and more) consists of 10 countries, which means that almost half of the EU Member States with a statutory minimum wage belong to this group with the largest

increases. Romania (10%) and Malta (10.8%) are at the bottom of this group, while the largest increases took place in Bulgaria (18.2%), Croatia (20%) and Poland (21.5%).

In the majority of countries, statutory minimum wages are usually adjusted once a year in January. In some countries with an indexation system linking minimum wage adjustments to the development of consumer prices, however, additional increases took place during 2023. In Luxembourg, for instance, the minimum wage was adjusted three times: on 1 February 2023 to 14.14 euros, on 1 April 2023 to 14.50 euros and on 1 September 2023 to 14.86 euros which is still the current rate. Other countries where additional adjustments took place during 2023 are the Netherlands, with an increase to 12.12 euros on 1 July 2023, and France, where the statutory

Figure 3.6 **Development of hourly nominal and real minimum wages in 2023**  
(in %, 1 January 2023-30 January 2024)



Note: Calculation based on national currencies. The development of real minimum wages refers to changes in nominal minimum wages deflated by Harmonised Index of Consumer Prices 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 the consumer price index.  
Source: WSI Minimum Wage Database (WSI 2024) and own data.

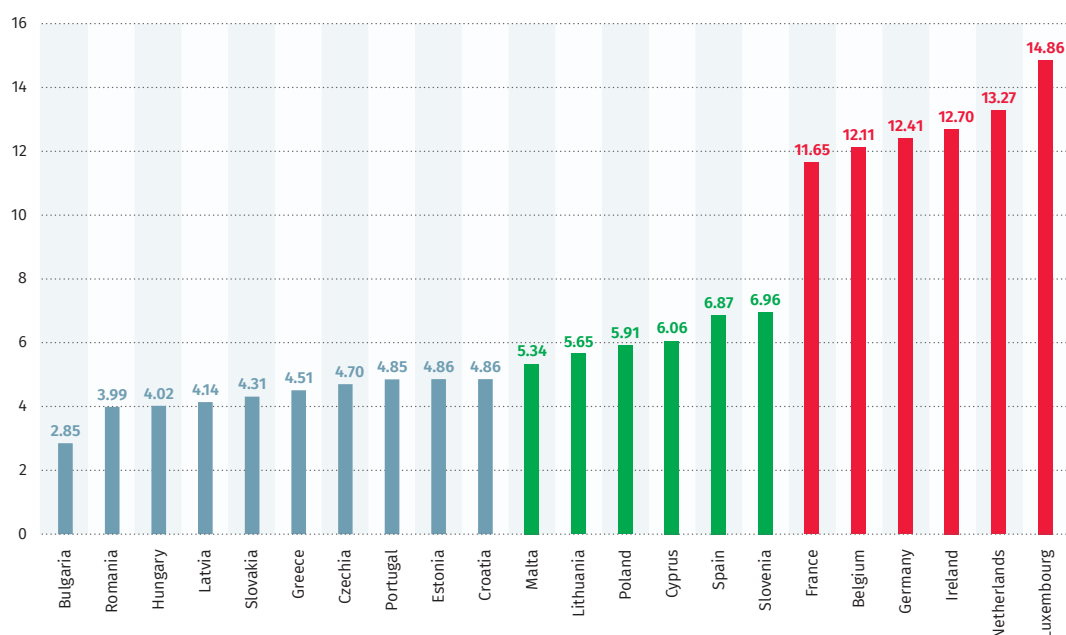
minimum wage was increased to 11.52 euros on 1 May 2023. Another special case is Hungary, where an increase in the minimum wage took effect on 1 December 2023 as an extraordinary measure to compensate for high inflation in the country.

In seven countries, the nominal minimum wage increases were not sufficient to compensate for the loss in purchasing power, which meant that real minimum wages decreased. The drop in real minimum wages ranged from fairly marginal in Belgium (-0.3%) to substantial, or in other words more than 3%, in Czechia (-3.2%) and Slovakia (-3.5%). In the majority of countries, however, real minimum wages increased – albeit to greatly varying degrees. The smallest increases took place in Romania (0.2%) and Lithuania (1.1%) and the southern European countries Spain (1.5%), Cyprus (2.3%) and Portugal (2.5%). By contrast, real minimum wages increased most strongly in the Netherlands (8.5%), Bulgaria (8.9%), Poland (9.6%) and Croatia (10.7%).

The large variety in the development of nominal minimum wages had implications for the ranking of countries in terms of the nominal level of statutory minimum wages (Figure 3.7). In this respect, three broader groups of countries can be distinguished. The ranking is topped by a group of six western European countries with hourly statutory minimum wages of more than

11 euros, ranging from France with 11.65 euros to the Netherlands (13.27 euros) and Luxembourg (14.86 euros). This top group is followed by a group of six countries with minimum wages between 5 and 8 euros. This group ranges from Malta with 5.34 euros to Slovenia with 7.25 euros. Particularly noteworthy are the developments in Malta and Poland, where comparatively large increases in 2024 meant that for the first time they joined this middle group of countries with minimum wages between 5 and 8 euros. The group with the lowest statutory minimum wages (below 5 euros) comprises 10 mainly central and eastern European countries, ranging from Bulgaria (2.85 euros), Romania (3.99 euros) and Hungary (4.02 euros) to Portugal (4.85 euros), Estonia (4.86 euros) and Croatia (4.86 euros). It should be mentioned that, in Greece, Portugal and Spain, the minimum wage is paid 14 times a year. In Figure 3.7, the minimum wage for these three countries has been converted to 12 payments to make it more comparable. If the full 14 payments were taken into account, the hourly minimum wage would be 8.02 euros in Spain, 5.66 euros in Portugal and 5.26 euros in Greece – thus taking into account the actual 14 payments. Portugal and Greece would also be grouped in the middle group of countries, with statutory minimum wages of between 5 and 8 euros.

Figure 3.7 Statutory national minimum wages in the EU (per hour, in euros, current prices, January 2024)



Note: 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 2023 (Eurostat 2023). 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 the WSI Minimum Wage Database (WSI 2024).

## Statutory minimum wages in purchasing power standards

For a more realistic comparison of minimum wage levels, it is helpful also to take into account the actual cost of living. Measuring minimum wages in purchasing power standards is a way of taking account of the considerable variation in the cost of living across the EU for comparative purposes. Since there is always a time lag in calculating PPS conversion factors, the data in Figure 3.8 are based on the PPS for private consumption in 2022.

Figure 3.8 demonstrates that measuring statutory minimum wages in PPS considerably reduces the gap between EU Member States – and, in particular, between the western European countries making up the top group of the table and CEE countries which are largely represented in the bottom group of the table. Whereas the ratio between the highest nominal minimum wage in Luxembourg and lowest nominal minimum wage in Bulgaria is 1:5.2, this ratio is more than halved – to 1:2.4 – when minimum wages are measured in PPS. If, in a mental experiment, we take the average annual rate of change of minimum wages in PPS over the past 10 years since 2014 for the western European countries and for the CEE countries, it

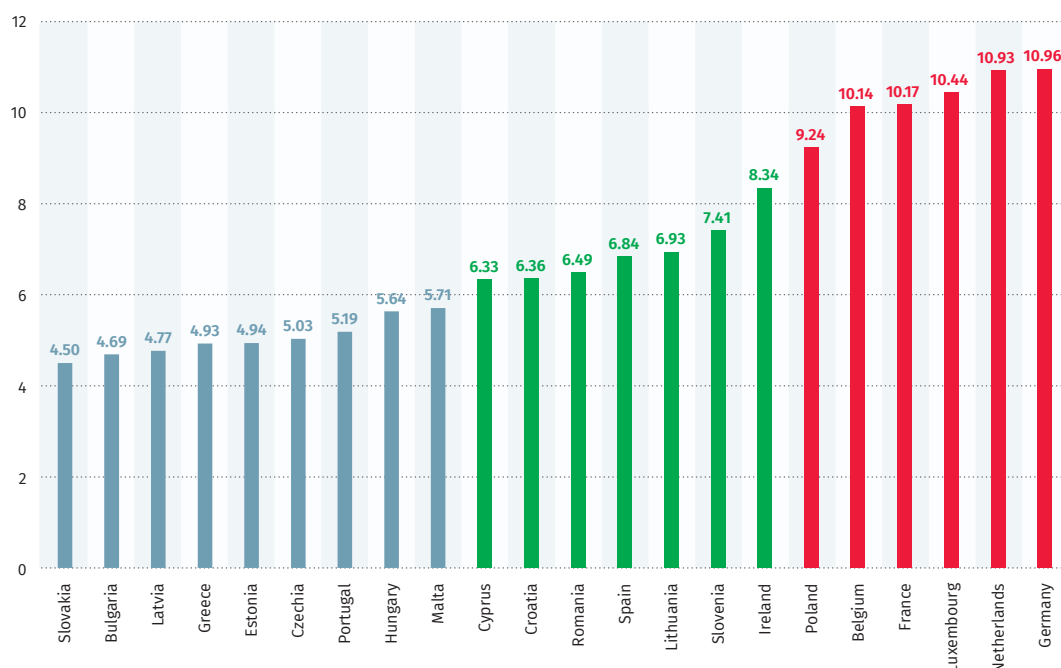
would still take more than 62 years for minimum wages to reach the same level of 9.83 PPS.

Figure 3.8 furthermore illustrates that taking into account the actual cost of living considerably changes the order of countries as regards the value of their minimum wages. The most notable changes are as follows: first, Ireland drops out of the top group of six western European countries with the highest nominal minimum wages and is replaced by Poland; second, due to the lower cost of living, Germany tops the table with 9.94 PPS, ahead of the Netherlands with 9.92 PPS despite the considerably higher nominal minimum wage in the Netherlands; third, Hungary, Croatia and Romania join the middle group of countries with a minimum wage of between 5 and 8 PPS; and fourth, Bulgaria is no longer at the bottom of the table within the third group of countries with the lowest nominal minimum wages.

## The impact of the Adequate Minimum Wages Directive

The Directive on adequate minimum wages in the European Union explicitly aims at improving living and working conditions in the European Union by establishing a framework for adequate minimum wages and promoting collective bargaining for wage-setting. Its ultimate goal is to promote social convergence and combat

Figure 3.8 Statutory minimum wages in purchasing power standards (per hour, PPS on euro basis\*, 30 January 2024)



Notes: Conversion to PPS on a euro basis based on the purchasing power parities for private consumption reported by the World Bank for 2022 (World Bank 2022).

\* The conversion from PPS in US dollar terms provided by the World Bank to PPS in euro terms is based on Eurostat's PPS conversion rate of 1 PPS € = 1.6071 PPS Dollar.

Source: WSI Minimum Wage Database (WSI 2024).



wage inequality and in-work poverty (European Parliament 2022). The Adequate Minimum Wages Directive would not result in a uniform minimum wage level across the EU. Instead, it specifies criteria to ensure adequate minimum wages at national level. Article 5(2) of the Directive lists four benchmarks according to which statutory minimum wages should be set (European Parliament and Council of the European Union 2022): (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 their relative weight.

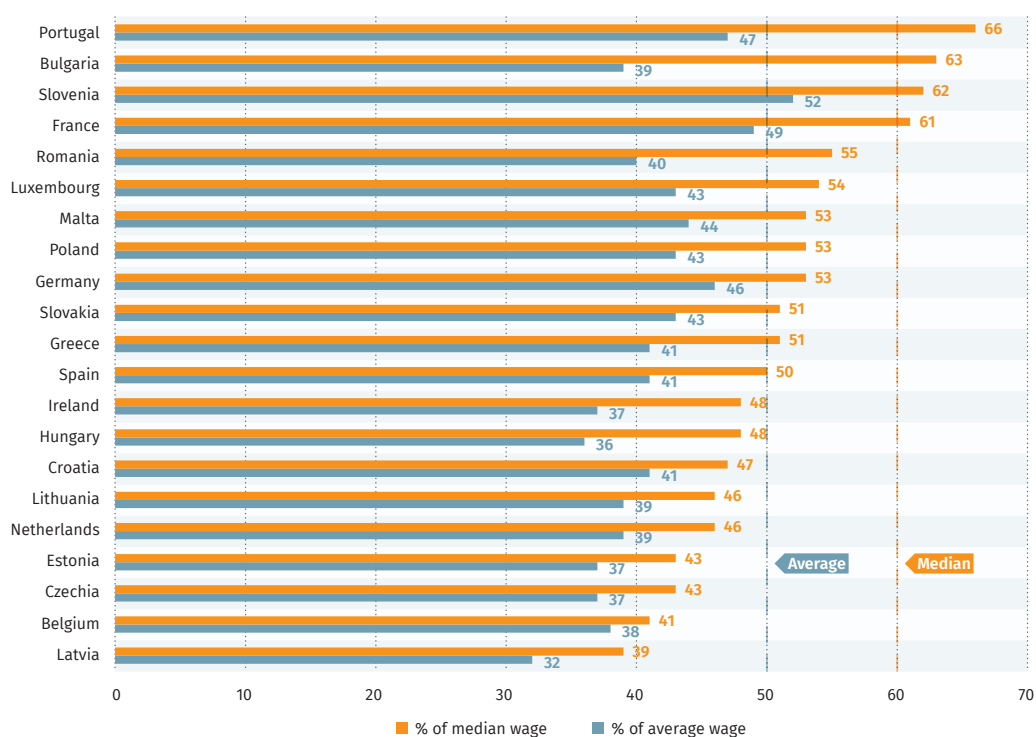
More importantly, however, Article 5(4) states that Member States ‘shall use indicative reference values to guide their assessment of adequacy of statutory minimum wages. To that end, they may use indicative reference values commonly used at international level such as 60% of the gross median wage and 50% of the gross average wage, and/or indicative reference values used at national level.’ The Directive thus *de facto* establishes a double ‘decency threshold’. Although this threshold is not legally binding, it represents a strong normative

benchmark for setting minimum wages at national level.

Measured against this double decency threshold set out in the Adequate Minimum Wages Directive, Figure 3.9 demonstrates that, according to data from the OECD earnings database (OECD 2023), in 2022 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 2022, so any substantial minimum wage increases that took place in 2023 have not yet been taken into account in measuring the relative value of minimum wages.

Although the Member States still have until November 2024 to transpose the Directive into national law, developments in various EU countries indicate that, even before its transposition, the Directive is already influencing political debates on national reforms to ensure compliance with the Directive’s objectives (Müller and Schulten 2024a). Of particular importance as regards the practical implications for minimum wage setting is the Directive’s double decency threshold for adequate minimum wages of 60% of the gross median wage and 50% of the gross average

Figure 3.9 Minimum wage as a % of full-time median and average wages (2022)



Source: OECD earnings database (OECD 2023), for Malta and for Bulgaria the data were taken from Eurostat (2023c). For Bulgaria, the most recent figure available from Eurostat for the percentage of the median wage was that for 2018.



Cyprus introduced a new national statutory monthly minimum wage of 940 euros which at the time corresponded to 60% of the median gross wage

wage, which has, to varying degrees, influenced developments at national level (see Table 3.1).

In Bulgaria, for instance, the amendment to the Labour Code adopted on 1 February 2023 stipulates that, in future, the statutory minimum wage will be set at 50% of the national average gross wage on 1 September each year. The amendment also states that the new rate cannot be lower than that of the previous year (Aumayr-Pintar et al. 2023). Explicit reference to the Directive’s double decency threshold was also made in Croatia’s governmental decree setting the minimum wage for 2024 (Müller 2024). In Ireland and Estonia, the double decency threshold has been used as a reference for government plans to increase the statutory minimum wage over time. In Ireland, the government has announced that it will gradually raise the minimum wage to a living wage level equivalent to 60% of the Irish median wage by 2026 (Government of Ireland 2022). In Estonia, a tripartite ‘goodwill agreement’ was signed in June 2023 with the explicit objective of increasing the statutory minimum wage to 50% of the average wage by 2027 (Müller 2024). Slovakia and Spain also link the statutory minimum wage to the median or average wage, but go even further than the double decency threshold. The current minimum wage legislation in Slovakia, for instance, stipulates that the minimum wage should be set at 57% of the average wage as long as employers and trade unions do not agree on a different minimum wage. In Spain, the government has committed to raise the minimum wage to 60% of the average wage by 2023 (Müller and Schulten 2024a).

In other countries, developments have not progressed quite as far, in the sense of making the double decency threshold (or parts of it) the official reference for setting the minimum wage. In some countries, however, the Directive has prompted a debate about the adequacy of minimum wages and whether the double decency threshold should be the official reference. In Germany, for instance, the extraordinary increase in the minimum wage in October 2022 – which was justified by explicitly referring to the then draft Minimum Wage Directive – boosted the political debate about inserting the reference value of 60% of the gross median wage into the German minimum wage legislation (Herzog-Stein et al. 2023). Discussions about the appropriate indicator for the adequacy of minimum wages have also been held in Latvia. Whereas the unions argue that the government should follow the Directive and apply the double decency threshold, the position of the employers is that the minimum wage should be set at a maximum of 40% of the average wage (Müller 2024). In

Hungary and Romania, the trade unions have used the Directive’s double decency threshold as an additional argument in support of a larger minimum wage increase in discussions with the government and employers. In the Netherlands, the trade union federation FNV is campaigning for a fair minimum wage of 16 euros, explicitly referring to the Directive’s decency threshold of 60% of the median wage (FNV 2023).

Table 3.1 **Impact of the Minimum Wage Directive on national minimum wage setting**

Implementation of double decency threshold into national law	
Bulgaria	Change of law on 1 February 2023, stipulating that, from 2024, the statutory minimum wage will be set at 50% of the national average gross wage on 1 September each year.
Double decency threshold as a political guideline	
Croatia	Government decree concerning the increase in 2024 explicitly referred to the double decency threshold.
Estonia	Tripartite ‘goodwill agreement’ expressing a commitment to increase the statutory minimum wage to 50% of the national average wage by 2027.
Ireland	Government commitment to increase the statutory minimum wage to 60% of the national median wage by 2026.
Double decency threshold as a boost to the debate about adequacy	
Germany	Double decency threshold has promoted political debate on including the reference value of 60% of the median wage in national legislation.
Latvia	Debate on adequacy criteria; while unions argue in favour of the double decency threshold, employers argue for 40% of the national average wage.
Double decency threshold as part of trade union strategies	
Hungary	Unions have used the double decency threshold in discussions with government and employers about minimum wage adjustments for 2024.
Netherlands	FNV has started a political campaign for a statutory minimum wage of 16 euros with explicit reference to 60% of the national median wage.
Romania	Unions have used the double decency threshold in discussions with government and employers about minimum wage adjustments for 2024.

Source: Müller and Schulten (2024a); Müller (2024).

Although the Directive’s rules and criteria for adequate minimum wages apply exclusively to countries with a statutory minimum wage, they are also already influencing discussions in countries with minimum wage regimes that have so far been based exclusively on collective agreements. The most prominent example is Cyprus which, in view of its relatively low level

of collective bargaining coverage, has switched from a regime based on negotiated minimum wages and statutory minimum wages for only a few occupational groups to a regime based on a general national statutory minimum wage. On 1 January 2023, Cyprus introduced a new national statutory monthly minimum wage of 940 euros, which at the time corresponded to 60% of the median gross wage (European Commission 2022a).

Italy is another example of a country where the introduction of a statutory minimum wage has been discussed intensively for several years (Garnero and Lucifora 2020). Although collective bargaining coverage in Italy is formally very high, there are several areas, especially in the informal economy, that are not *de facto* covered by collective agreements. In addition, collectively agreed minimum wages are very low in many sectors (Ricciardi 2023, Orlandini and Meardi 2023). Against this background, the Minimum Wage Directive has given new impetus to the debate on a statutory minimum wage. The new Meloni government, which is opposed to any kind of statutory minimum wage, stalled the debate after coming to power in autumn 2022 (Aumayr-Pintar et al. 2023). More recently, however, opposition parties with the support of the trade unions CGIL and UIL submitted a proposal for a statutory minimum wage of 9 euros per hour.

Finally, despite a very high level of collective bargaining coverage guaranteeing an almost nationwide sectoral minimum wage, Austria also has a relatively large low-wage sector (Geisberger 2021). This is because, in several industries – especially in the private service sector – the minimum wages set by collective

agreements are rather low. Against this background, Austrian trade unions have repeatedly demanded that an adequate minimum wage be included in all sectoral collective agreements. In September 2022, the Austrian unions agreed that the monthly minimum wage in all collective agreements should be at least EUR 2,000 (Kasper 2022), an amount which, at the time, corresponded to roughly 60% of the national median wage. As some employers persistently refused this demand for collectively agreed adequate minimum wages, the ÖGB called for a national collective agreement (*Generalkollektivvertrag*) on a national minimum wage of 2,000 euros per month (Müller and Schulten 2024a).

Compared to Cyprus, Italy and Austria, the situation is different in Denmark and Sweden, where minimum wages are also determined by collective agreements. In Denmark and Sweden, high collective bargaining coverage goes hand in hand with high collectively agreed minimum wages of 70% and more of the median wage. In Sweden, for instance, the proportion of employees working at collectively agreed minimum wages below 60% of the median wage is negligible – less than 1% (Hällberg and Kjellström 2020). Thus, while the influence of the Directive on the level of collectively agreed minimum wages in countries such as Denmark and Sweden is likely to be small, it could well gain in importance in countries such as Austria or Italy, where the double decency threshold could also serve as a benchmark for a general minimum level for collectively agreed minimum wages or even the introduction of a statutory minimum wage (Müller and Schulten 2024a).

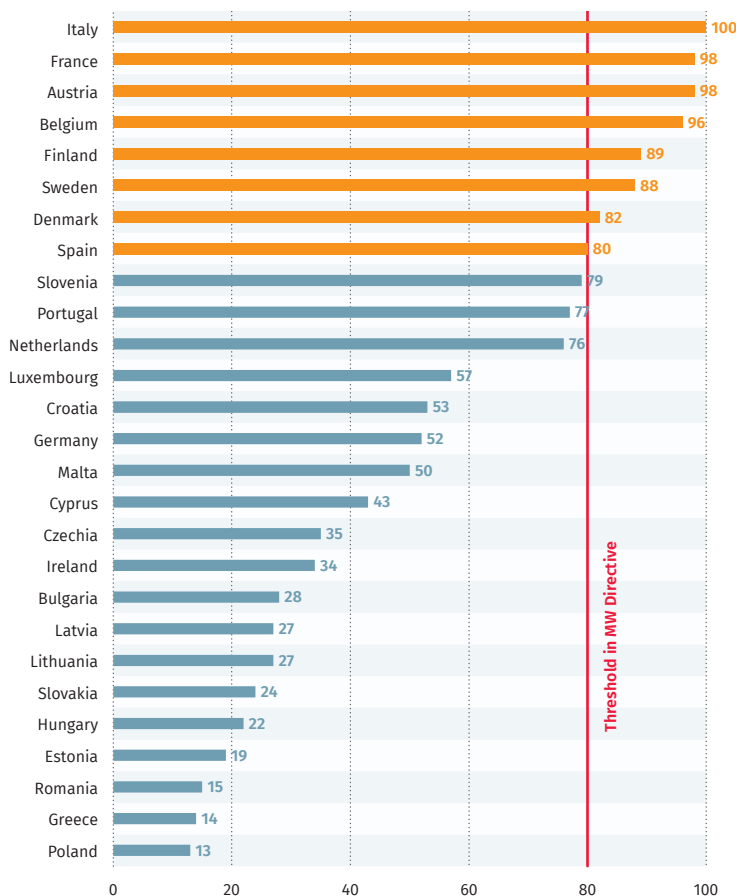
# Developments in collective bargaining

In addition to enforcing an appropriate minimum wage, the second major objective of the Adequate Minimum Wages Directive is to strengthen collective bargaining systems. In point of fact, the Adequate Minimum Wages Directive marks the first time that the EU has formulated a clear commitment to a high level of bargaining coverage. In order to achieve this objective, Article 4(2) of the Directive obliges Member States with a collective bargaining coverage of less than 80% to take measures to increase it. This includes national action plans that contain a clear timetable and specific measures to increase bargaining coverage gradually. These plans must be developed in cooperation with trade unions and employers' organisations, reviewed regularly and updated at least every five years. By calling on all Member States with less than 80%

bargaining coverage to develop a national action plan to promote collective bargaining, a target is also indirectly defined for an adequate level of collective bargaining coverage.

For the purpose of promoting 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 – and not of 'workers' organisations' as envisaged in the Commission's original text (European Commission 2020). Furthermore, Article 4(1) guarantees the right to collective bargaining on wage-setting and protects workers and their representatives who participate (or wish to participate) in collective bargaining from discrimination. In addition, Article 9 of the Directive calls on Member States to consider criteria that guarantee basic trade union rights and compliance with collective bargaining standards when awarding public contracts and concessions.

Figure 3.10 **Collective bargaining coverage\* in EU countries (2021 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 (2024).

Figure 3.10 illustrates that, within the EU, collective bargaining coverage varies considerably. While in countries like Italy, France or Austria almost all employees are covered by a collective agreement, in some CEE countries this is the case for only a minority of employees. In addition, collective bargaining coverage in many European countries has been decreasing for more than two decades (Müller et al. 2019). Figure 3.10 furthermore demonstrates that, according to the OECD/AIAS ICTWSS database (OECD/AIAS 2024), 19 of the 27 Member States do not fulfil the Directive's decency threshold of 80% bargaining coverage.

With the transposition of the Minimum Wage Directive into national law, the majority of EU Member States will thus be required to establish an action plan with specific measures to increase collective bargaining coverage gradually. In the same way that the Directive's provisions on adequate minimum wages are already influencing national developments in minimum wage setting, its provisions on the strengthening of collective bargaining are already shaping policies in some EU countries even before its transposition into national law.

In Ireland, for instance, a tripartite high-level working group was set up in March 2021 with the explicit objective of developing recommendations

to fulfil the Directive's obligation of gradually increasing bargaining coverage from its current level of 34% to the 80% threshold set by the Directive (LEEF 2022). The key problem identified by the working group for collective bargaining in Ireland is employers' increasing reluctance to engage in negotiations with trade unions – at both sectoral and enterprise level. Against this background, the working group's recommendations to strengthen sectoral bargaining are aimed at ending employers' *de facto* veto power on the establishment of new sectoral agreements by creating incentives and soft pressure for employers to participate more actively in the negotiation of 'Employment Regulation Orders'. In effect, these represent a form of sectoral bargaining and set out legally enforceable employment conditions and minimum rates of pay, particularly in low-paid sectors where collective bargaining is limited or absent. Similarly, the Working Group seeks to improve collective bargaining at enterprise level by obliging employers to engage with trade unions in a 'process of good faith'. The wording 'good faith engagement' essentially boils down to an obligation for the employer to engage in collective bargaining – not to reach an agreement – if requested to do so by a trade union with meaningful membership within the company (Müller and Schulten 2024b).

Germany is another example of a country where the threshold of 80% bargaining coverage has become a major point of reference in the debates on how to reverse the continuing decline in collective bargaining coverage. Following adoption of the Directive, representatives from trade unions and political parties called on the German government to set up an action plan for strengthening collective bargaining immediately, and not to wait until the Directive's formal transposition. The German Ministry of Labour has announced that it will be presenting a legislative package for the promotion of collective bargaining which, among other things, will include a draft of a new federal public procurement law to ensure that public contracts at national level are awarded only to companies which apply the provisions of collective agreements (Müller and Schulten 2024b).

The obligation to promote collective bargaining will most likely have the most far-reaching consequences in CEE countries, where – with the exception of Croatia and Slovenia – collective agreements cover only one third of the workforce or even less, and where collective bargaining is largely decentralised. One example of the Directive's potentially strong impact on national bargaining regimes is Romania, where a new law on social dialogue was passed in December 2022, just two months after the adoption of the Directive. The new law reverses many of

the reforms introduced in 2011, which aimed to decentralise and weaken collective bargaining (Trif and Paolucci 2019). By contrast, the recent reform aims to strengthen collective bargaining at all levels and to promote unionisation. In order to do so, the new law on social dialogue includes a range of measures (Guga 2023). First, while the reforms in 2011 prohibited cross-sectoral agreements, the new law allows the negotiation of national agreements if the negotiating employers' association covers at least 20% of the workers. Second, the requirement for the extension of a sectoral collective agreement is less restrictive; the signatory employers' association only needs to represent at least 35% of the employees, rather than at least 50% as per the previous threshold. Third, bargaining at company level is mandatory in companies with at least 10 employees, instead of 21 employees as stipulated in the 2011 law. Fourth, the representativeness criteria for trade unions for bargaining purposes have been lowered from at least 50% to 35% at company level and from 7% to 5% at sectoral level. Fifth, the new law has reduced the minimum threshold for the establishment of a trade union from at least 15 members to 10 members. In addition to promoting collective bargaining at all levels and facilitating unionisation, the new law has furthermore extended the right to strike and broadened company-level information and consultation rights.

It is interesting to note that both sets of reforms in Romania – divergent as they are – were triggered by pressure emanating from the EU level. While the neoliberal reforms in 2011 were imposed by the Troika consisting of the European Commission, the European Central Bank and the International Monetary Fund as a precondition for financial assistance in the context of the financial crisis in 2008-2009, the recent reforms were linked to receiving financial support from the Recovery and Resilience Facility in the context of the Covid-19 pandemic (De Spiegelaere 2023).

In addition to the three examples dealt with above in more detail, trade unions in almost all CEE countries have used the Directive's obligation to establish an action plan if bargaining coverage is lower than 80% in order to push for more sectoral collective agreements. This includes the formulation of not only specific measures for a national action plan to promote collective bargaining, but also coordinated initiatives to conclude more sectoral agreements. A case in point is Croatia, where the Union of Autonomous Trade Unions of Croatia (SSSH) and its affiliates started a campaign for more sectoral agreements in the private sector, which led to the conclusion of a sectoral agreement in the wood and paper industry on 11 December 2023 (SSSH 2023).

# Developments in unionisation and strike activity

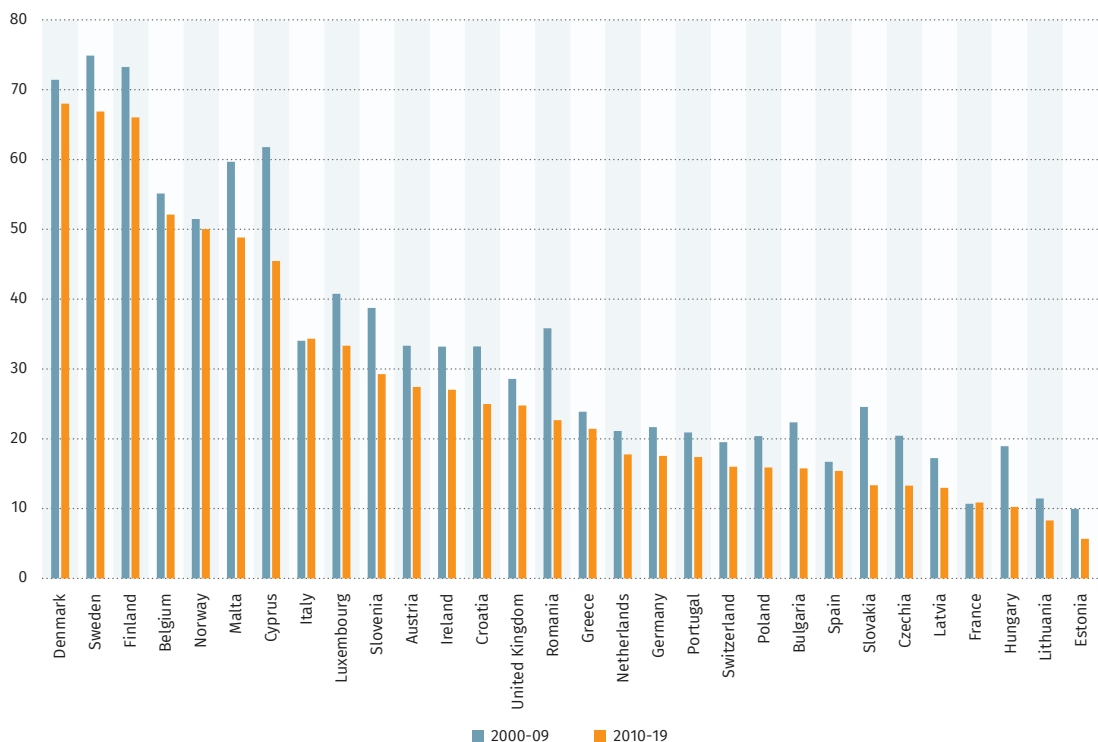
## Union density

Examining union membership over time is a useful though simple indicator for gauging the associational power of workers and the possible economic and political influence of trade unions. Figure 3.11 compares averages in union density (i.e. the rate of union members over wage- and salary-earners) in the 2000s and during the 2010-2019 period in the EU27 countries plus Norway, Switzerland and the UK. Continuous data are not available for several countries, especially in central and eastern Europe. In particular for the years 2017, 2018 and 2019, data are still lacking for a number of countries. Moreover, more recent, comparative data for evaluating post-2019 union membership dynamics are still not available at the time of writing. Finally, it is needless to say that union density at the aggregated level obviously masks divergence

in density rates based on, for instance, the socio-demographic characteristics of workers, occupations and industries.

The Nordic countries and Belgium are still top of the ‘unionisation table’ due to a relatively ‘benevolent’ institutional setting. While the ‘Ghent system’, which guarantees unions’ involvement in unemployment insurance schemes, is an important explanation for this in these countries (except for Norway) (Høgedahl and Kongshøj 2017), relatively strong union access to the workplace is a key factor as well (Ebbinghaus et al. 2011; Ibsen et al. 2017). Furthermore, centralised collective bargaining is associated with a higher unionisation level, as management has relatively lower incentives to thwart unions at the workplace in such industrial relations systems (Rasmussen 2017). The data in Figure 3.11 nevertheless demonstrate that union density in almost all countries has

Figure 3.11 Trade union density in EU Member States (averages for 2000-2009 and 2010-2019)



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



Data on strike actions provide information about the degree of collective discontent among workers

weakened over time. This holds especially true for CEE countries (Vandaele 2019), with most of those countries standing at the bottom of the ‘unionisation table’; while Croatia (Bagić and Ostojić 2023), Romania (Guga and Trif 2023) and Slovenia (Stanojević et al. 2023) have been exceptions in the past, rapid decline has now set in in these countries as well.

There are a few countries that are exceptions to the downward pattern – at least until 2019. Italy has seen a slight increase in density, while France and Spain have a rather stable union density. These two countries, both with low unionisation rates, illustrate that union legitimacy can also be based on mobilisation capacity (Sullivan 2010), as in France, or on union elections for workplace representatives in companies, as in Spain (Martínez Lucio 2017). Furthermore, the decline in union density does not also imply that trade unions are no longer able to attract new (young) workers. In fact, they do so on a daily basis. Unions can nevertheless still be confronted with an overall fall in membership due to more (older) members leaving the union, while net member gains of individual (niche) unions might not outweigh the loss of other ones. All in all, considerable divergence in the level of unionisation remains, partly as a result of the variation in labour(-friendly) market institutions (Schnabel 2013) and partly due to how union membership is understood in society.

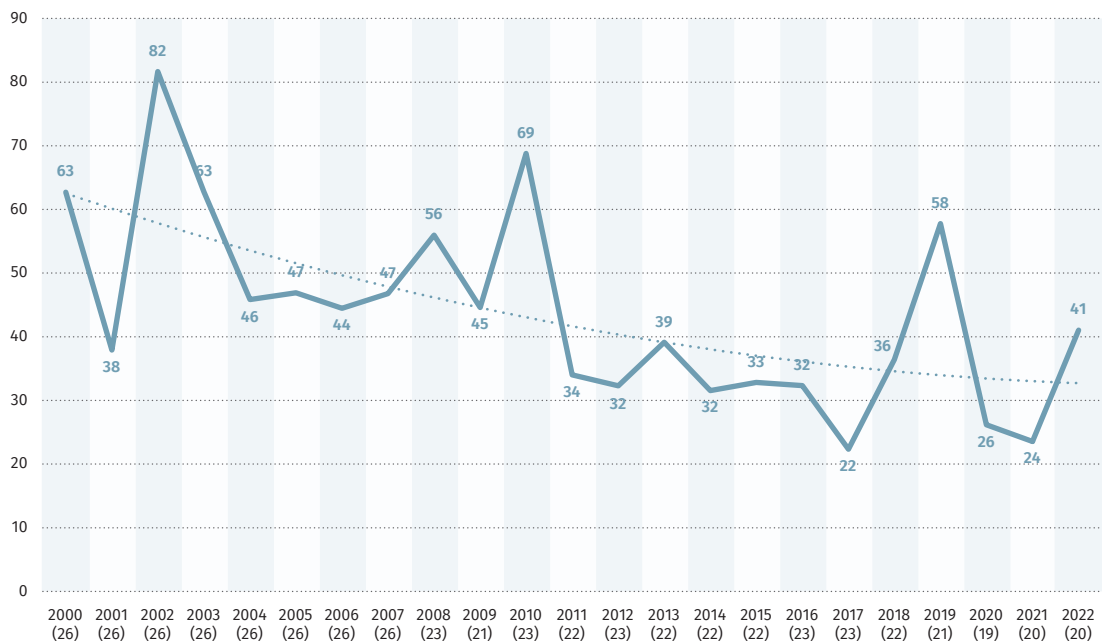
## Strike activity

### A long-term downward trend in strike activity

Data on strike actions provide 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 3.12 depicts the weighted average of days not worked due to industrial action per 1,000 employees in at least 20 European countries, particularly in western Europe, since 2000. Industrial action includes strike activity, and for some countries it may include lockouts as well, as the data do not distinguish between the two, though from a power perspective both should ideally be separated (Hamark 2022). Figure 3.12 depicts a long-term fall overall in the volume of strikes.

Among other factors, the contraction in the volume of strikes mirrors the diminishing importance of industrial trade unionism and a certain shift of strike activity towards private-sector services, especially within transport and logistics, where strikes tend to be shorter and sometimes smaller in scale, as they have greater

Figure 3.12 Days not worked due to industrial action in Europe per 1,000 employees (weighted average) since 2000



Note: Number of countries in brackets. 2000-2007: Luxembourg and Slovenia; 2000-2008: Italy and Romania; 2000-2017: Malta; 2010-2018: Estonia; 2010-2022: Bulgaria; 2000-2021: France; 2000-2022: Austria, Belgium, Cyprus, Denmark, Finland, Germany, Ireland, Latvia, Lithuania, Netherlands, Norway, Poland, Slovakia, Spain, Sweden and Switzerland. Hungary (2000-2010, 2012, 2016-2019 and 2021-2022), Portugal (2000-2007 and 2010-2022) and the UK (2000-2019 and 2022). Source: Data on industrial action: ETUI based on data from national statistical offices. For details about the availability and reliability of data, see Dribbusch and Vandaele (2016). Employees in employment: Eurostat except AMECO database for the UK.

disruptive capacity, in particular in relation to ‘third parties’ like consumers (Bordogna and Cella 2002; Vandaele 2016). The decrease in overall strike activity is nevertheless ‘interrupted’ from time to time – especially after the financial crisis of 2007-2008 – often because of strikes in the public sector like education, health and social care (Vandaele 2021), public transport or public administration. At least three distinct spikes can be discerned, although each spike is less high than the previous one. Thus, over the past two decades, relative spikes in the volume of strikes have occurred in 2002, 2010 and 2019. A new spike seems prevalent in 2022, which might be more pronounced when the data for France (which are not yet available) are incorporated.

### Three spikes since 2000

The first spike has been attributed to the ‘dot-com bubble’ and the 9/11 recession (European Commission 2011: 46), whereas the second spike resulted mainly from ‘national days of action’ against pension reforms in France (Ancelovici 2011). After this, the volume of strikes fell to levels below 40 days until 2019. Official data on industrial action generally underestimate strike activity, however, and this is certainly the case for post-2008 developments, as there is a lack of data for some countries that are traditionally more strike-prone, like Italy and Greece, and some data sources have (deliberately) ignored several general strikes linked to anti-austerity protests such as those in Spain (Dribbusch and Vandaele 2016). While there was a relative reduction in strike levels in southern Europe before the 2007-2008 financial crisis, 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 strike spike in 2019 can be largely attributed to an increase in strike activity in France and Poland; in the latter country, more days not worked have been noted only in 1992. In France, as was the case in 2010, interprofessional days of action – demonstrations and strikes – against pension reforms, targeting the Philippe government under President Macron, explain the relatively high strike rate (Higounenc 2021). Using the slogan ‘Let the closed schools open people’s eyes’, a nationwide teachers’ strike demanding pay rises swept over Poland in that very same year, contributing to the exceptional increase in strike figures (for a critical assessment of the figures, see Płucienniczak et al. 2022).

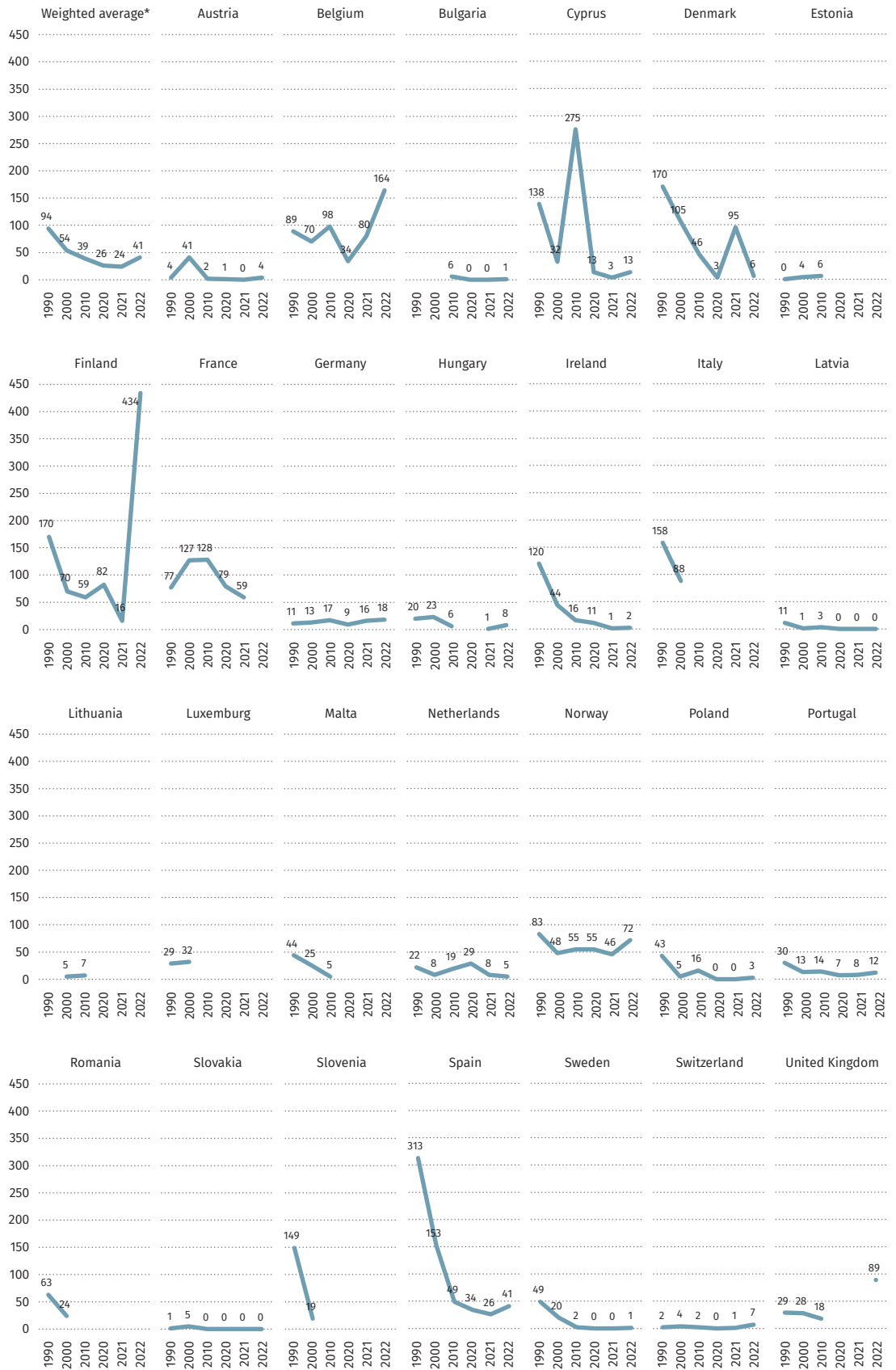
### A modest fourth spike (so far)

While the Covid-19 pandemic did not make (coronavirus-proof) collective action and strike activity impossible (Vandaele 2021), strike activity was generally dampened in 2020, except in Norway. There has been a certain amount of speculation in the media, but also in academia (Maffie 2022), about a revival of the strike weapon since the cost-of-living crisis in late 2021. Historically, soaring inflation, as a sudden macro-shock, has indeed driven strike activity and labour unrest, since it truly adds to uncertainty about appropriate union wage demands (Brandl and Traxler 2010). There was indeed a spike in 2022, with strikes (especially in the UK) being stoked by inflation, though this is not the only reason; Belgium and Finland (Firon 2020) are other countries with a high strike volume. Nevertheless, the European average for industrial action seems all in all modest in a historical perspective. One reason for this is that French data are still lacking for 2022. Adding these data will, in all likelihood, produce a more pronounced spike, although this should then be largely attributed (again) to pension reforms; that notwithstanding, however, inflation has been a motive for labour unrest as well.

Apart from data issues, there might also be other reasons why the 2022 spike is rather modest, despite the inflationary context. These may relate to workers’ individual behaviour, union power and strategies, and delay effects. First, labour market shortages in various industries have likely increased the individual bargaining power of workers, with managers more likely to grant wage increases for the purpose of keeping workers in their jobs, while shortages might also encourage workers to vote with their feet, i.e. to move to companies or industries offering higher wages (‘exit’) instead of collectively raising their voice. Strike activity is thus absent in both cases. Second, strike activity and social protest might be predominantly confined to highly unionised parts of the economy, like manufacturing and the public sector, but the ‘demonstration effect’ might remain limited overall. Thus, although collective action in those sectors might be perceived as successful, it hardly ever prompts workers in lower unionised industries to use the strike weapon as well. Third, there is simply a delay effect, either because it takes a while before workers experience the fall in their purchasing power, or because (strict) settlements in collective agreements do not allow for (certain) strikes during the duration of the agreement, or both. Irrespective of the reasons, the delay effect might then explain



Figure 3.13 Days not worked due to industrial action per 1,000 employees (1990-2022)



Source: Data on industrial action: ETUI based on data from national statistical offices. For details about the availability and reliability of data, see Dribbusch and Vandaele (2016). Presented time points are as follows: 1990-1999, 2000-2009, 2010-2019, 2020, 2021 and 2022.  
 \*Weighted average for 27 countries presented in the figure  
 Employees in employment: Eurostat except AMECO database for the UK.

why a relative high level of strike activity could not be ruled out in 2023.

### **Enduring country differences remain**

Figure 13 compare the average strike volume in the 2000s and the 2010-2019 period in each European country for which (sufficient) data are available. The figures depict the strike volume in the years 2020, 2021 and 2022 as well if the data are (already) available. The figures largely confirm the secular trend in the strike volume, but also provide a more nuanced picture at the country level. In several countries, the volume declined on average in the most recent period. This phenomenon is most pronounced in Spain and Denmark – two countries previously marked by a certain proneness to industrial action in the past. In contrast, the open-ended conflict that erupted in the construction sector in 2013 explains the remarkable increase in Cyprus, which led the European ‘strike table’ in the 2010-2019 period. Showing the enduring mobilisation capacity of trade unions, there is not much difference in strike volume for the two periods considered in Belgium, France and Norway.

Differences in a country’s volume can be explained, in particular, by political mass strikes, such as large-scale strikes in the public sector and general strikes. 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 a certain increase in the last period compared to the 2000s. Finally, strike activity in most other CEE countries stands at a very low level (except for the recent aforementioned strike in the education sector in Poland), with unions tending to rely here on a ‘civil rights repertoire’, addressing political authorities, instead of a labour one, as the legal and institutional recognition of labour rights is relatively weaker compared to western Europe (Greskovits 2015; Vandaele 2021). Above all, Figure 13 demonstrate the persistent nature of cross-country differences in the strike volume over time, with those differences tending to increase during upswings in industrial action (Brandl and Traxler 2010).

# Conclusions

The aim of this concluding section is to take a broader perspective, placing recent developments in the field of wages and collective bargaining into the wider context of the development of ‘Social Europe’ during the past 20 years – particularly in view of the fact that 2024 marks the 20<sup>th</sup> anniversary of the largest EU enlargement in 2004, when 10 countries joined the EU. In the field of wages and collective bargaining, the 20 years since 2004 can be clearly divided into two periods with almost diametrically opposed policy approaches.

The first decade from 2004 to 2014 was marked by a neoliberal policy of market liberalisation, which was aimed primarily at integrating markets and thus putting existing industrial relations and social systems under pressure (Soukup 2019; Syrovatka 2022). This became particularly evident when, in the context of the crises that began in 2008-2009, the European Commission intervened directly in national industrial relations and collective bargaining systems, for instance together with the European Central Bank and the International Monetary Fund as part of the ‘Troika’ (Schulden and Müller 2013). At the time, the Commission’s view was based on the neoliberal belief that strong institutions of collective wage regulation hindered the functioning of ‘free’ markets, limited companies’ flexibility and adaptability, and therefore negatively impacted growth and employment. This was most clearly expressed in the infamous report by the Directorate General for Economic and Financial Affairs (DG ECFIN) which praised the reduction of minimum wages, the decentralisation of collective bargaining and the reduction of collective bargaining coverage, as well as the general weakening of trade unions’ wage-setting power as ‘employment-friendly reforms’ (European Commission 2012). Thus, at the time, economic considerations clearly took precedence over social considerations in the policies promoted by European and national policy-makers in the field of wages and collective bargaining: wage moderation and the weakening of collective bargaining to ensure price competitiveness were the order of the day.

Since the mid-2010s, however, a new discourse has gradually emerged, rediscovering ‘Social Europe’ and emphasising the need for a socially regulated capitalism in which strong social institutions ensure social cohesion and political stability (Müller and Schulden 2024a). At first, this did not lead to a marked change

in policies in the field of wages and collective bargaining, because most initiatives remained essentially declaratory in nature, as was clearly demonstrated by the adoption of the ‘European Pillar of Social Rights’ (EPSR) in 2017 which, contrary to its name, does not contain any enforceable ‘rights’ per se (Barnard 2020).

This changed in 2019 with the new EU Commission President, Ursula von der Leyen, and her declared intention to go beyond symbolic declarations in the area of labour and wage policy. The clearest expression of this new and more socially oriented approach is the Action Plan for the implementation of the European Pillar of Social Rights adopted in March 2021, which among other things included a commitment to adopt a directive which ensures adequate minimum wages and supports collective bargaining (European Commission 2021). The EU Adequate Minimum Wages Directive was, however, by no means the only measure pursued with the explicit intention of promoting social convergence and combating wage inequality and in-work poverty through strong collective bargaining.

In particular during the past two years, a whole range of EU-level legislative initiatives in the field of wages and collective bargaining have been put in place with this overarching objective in mind. In addition to the Adequate Minimum Wages Directive, these notably include the following: first, the Pay Transparency Directive, which the Council of the EU adopted in April 2023 and which, in particular, aims to address the gender pay gap (European Parliament and Council of the European Union 2023); second, the September 2022 Guidelines on the application of EU competition law to collective agreements, which aim to remove legal barriers to collective bargaining for solo self-employed workers (European Commission 2022b); and, third, the proposal for a Council Recommendation on strengthening social dialogue in the EU, published by the Commission in January 2023 (European Commission 2023b). All these initiatives illustrate the paradigm shift in the EU’s approach to wages and collective bargaining (Schulden and Müller 2021). Adequate (minimum) wages and comprehensive collective bargaining are no longer seen as obstacles to competitiveness and economic growth, but as an important institutional prerequisite for inclusive economic development and a stable society.

Arguably, the most significant implications in the field of wages and collective bargaining can be expected from the Adequate Minimum Wages Directive, which even before its transposition into national law has influenced policy debates in various EU countries as regards minimum wage setting and collective bargaining. However, the adoption of the Directive was only the first step.

Its actual significance in terms of promoting a more social Europe will ultimately be decided by its implementation into national law, and this – just like the adoption of the Directive – needs to be fought for at national level by all those progressive actors striving for more social convergence and less wage inequality and in-work poverty.

# References

- Aeppli C. and Wilmers N. (2022) Rapid wage growth at the bottom has offset rising US inequality, *Proceedings of the National Academy of Sciences*, 119 (42), e2204305119. <https://doi.org/10.1073/pnas.2204305119>
- Ancelovici M. (2011) In search of lost radicalism. The Hot Autumn of 2010 and the transformation of labor contention in France, *French Politics, Culture & Society*, 29 (3), 121-140. <https://www.jstor.org/stable/42843726>
- Aumayr-Pintar C., Vacas-Soriano C., Ivaškaitė-Tamošiūnė V., Kostolný J., Hurley J. and Seghesio M. (2023) Minimum wages in 2023: annual review, Publications Office of the European Union. <https://data.europa.eu/doi/10.2806/950879>
- Bagić D. and Ostojić J. (2023) Croatia: trade unions able to retain influence despite loss of resources, in Waddington J., Müller, T., Vandaele K. (eds.) *Trade unions in the European Union: picking up the pieces of the neoliberal challenge*, Peter Lang, 213-241.
- Barnard C. (2020) Are social 'Rights' rights?, *European Labour Law Journal*, 11 (2), 351-361. <https://doi.org/10.1177/2031952520905382>
- Bispinck R. (2023) Inflationsausgleichsprämie oder Tariferhöhung?, *Analysen zur Tarifpolitik 94*, Hans-Böckler-Stiftung. [https://www.wsi.de/fpdf/HBS-008551/p\\_ta\\_analysen\\_tarifpolitik\\_94\\_2023.pdf](https://www.wsi.de/fpdf/HBS-008551/p_ta_analysen_tarifpolitik_94_2023.pdf)
- Bordogna L. and Cella G.P. (2002) Decline or transformation? Change in industrial conflict and its challenges, *Transfer*, 8 (4), 585-607. <https://doi.org/10.1177/102425890200800401>
- Brandl B. and Traxler F. (2010) Labour conflicts: a cross-national analysis of economic and institutional determinants, 1971-2002, *European Sociological Review*, 26 (5), 519-540. <https://doi.org/10.1093/esr/jcp036>
- Criscuolo C. et al. (2020) Workforce composition, productivity and pay: the role of firms in wage inequality, IZA Discussion Paper Series 13212, Institute of Labor Economics.
- De Spiegelaere S. (2023) Back on track: are we seeing a renaissance of collective bargaining in Romania?, *HesaMag*, 27, 8-11.
- Dreger C., Lopez-Bazo E., Ramos R., Royuela V. and Surinach J. (2015) Wage and income inequality in the European Union, European Parliament. <https://data.europa.eu/doi/10.2861/75328>
- Dribbusch H. and Vandaele K. (2016) Comparing official strike data in Europe – dealing with varieties of strike recording, *Transfer*, 22 (3), 413-418. <https://doi.org/10.1177/1024258916658812>
- Ebbinghaus B., Göbel C. and Koos S. (2011) Social capital, 'Ghent' and workplace contexts matter: comparing union membership in Europe, *European Journal of Industrial Relations*, 17 (2), 107-124. <https://doi.org/10.1177/0959680111400894>
- ETUI (2024) ETUI Collective Bargaining Newsletter, ETUI. <https://www.etui.org/newsletters/collective-bargaining-newsletter>
- European Commission (2011) Industrial relations in Europe 2010, Publications Office of the European Union. <https://data.europa.eu/doi/10.2767/1416>
- European Commission (2012) Labour Market Developments in Europe 2012, European Economy 5/2012, Publications Office of the European Union. <https://data.europa.eu/doi/10.2765/18924>
- European Commission (2020) Proposal for a Directive of the European Parliament and of the Council on adequate minimum wages in the European Union, COM (2020) 682 final, 28.10.2020. <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52020PC0682&from=EN>
- European Commission (2021) The European Pillar of Social Rights Action Plan, Publications Office of the European Union. <https://ec.europa.eu/social/BlobServlet?docId=23696&langId=en>
- European Commission (2022a) Labour market and wage developments in Europe, Annual Review 2022, Publications Office of the European Union. <https://data.europa.eu/doi/10.2767/128906>
- European Commission (2022b) Communication from the Commission: Guidelines on the application of Union competition law to collective agreements regarding the working conditions of solo self-employed persons 2022/C 374/02, Official Journal of the European Union, C374, 30.09.2022. [https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52022XC0930\(02\)](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52022XC0930(02))
- European Commission (2023a) Labour market and wage developments in Europe: annual review 2023, Publications Office of the European Union. <https://data.europa.eu/doi/10.2767/1277>
- European Commission (2023b) Proposal for a Council Recommendation on strengthening social dialogue in the European Union, COM (2023) 38 final, 25.1.2023. <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52023DC0038>
- European Parliament (2022) European Parliament legislative resolution of 14 September 2022 on the proposal for a directive of the European Parliament and of the Council on adequate minimum wages in the European Union COM (2020)0682 – C9-0337/2020 – 2020/0310(COD), P9\_TA(2022)0316, 14.09.2022. [https://www.europarl.europa.eu/doceo/document/TA-9-2022-0316\\_EN.html](https://www.europarl.europa.eu/doceo/document/TA-9-2022-0316_EN.html)
- European Parliament and Council of the European Union (2022) Directive (EU) 2022/2041 of the European Parliament and of the Council of 19 October 2022 on adequate minimum wages in the European Union. <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32022L2041&from=EN>

- European Parliament and Council of the European Union (2023) Directive of the European Parliament and of the Council to strengthen the application of the principle of equal pay for equal work or work of equal value between men and women through pay transparency and enforcement mechanisms, 11 April 2023. <https://data.consilium.europa.eu/doc/document/PE-81-2022-INIT/en/pdf>
- Eurostat (2023a) HICP annual data. [https://ec.europa.eu/eurostat/databrowser/view/PRC\\_HICP\\_MANR/default/table?lang=en](https://ec.europa.eu/eurostat/databrowser/view/PRC_HICP_MANR/default/table?lang=en)
- Eurostat (2023b) Job vacancy rate by NACE Rev. 2. [https://ec.europa.eu/eurostat/databrowser/view/jvs\\_a\\_rate\\_r2/default/table?lang=en](https://ec.europa.eu/eurostat/databrowser/view/jvs_a_rate_r2/default/table?lang=en)
- Eurostat (2023c) Euro/national currency exchange rates. <https://ec.europa.eu/eurostat/databrowser/view/teimf200/default/table?lang=en>
- Eurostat (2023d) Monthly minimum wage as a proportion of average monthly earnings (%). [https://ec.europa.eu/eurostat/databrowser/view/earn\\_mw\\_avgr2/default/table?lang=en](https://ec.europa.eu/eurostat/databrowser/view/earn_mw_avgr2/default/table?lang=en)
- Filauro S. and Parolin Z. (2019) Unequal unions? A comparative decomposition of income inequality in the European Union and United States, *Journal of European Social Policy*, 29 (4), 545-563. <https://doi.org/10.1177/0958928718807332>
- Firon R. (2020) Finland: latest developments in working life Q4 2019, Eurofound, 09.03.2020. <https://www.eurofound.europa.eu/publications/article/2020/finland-latest-developments-in-working-life-q4-2019>
- FNV (2023) Voor16 - Voor een eerlijk minimumloon. <https://www.fnv.nl/acties/voor-16>
- Garnero A. and Lucifora C. (2020) L'erosione della contrattazione collettiva in Italia e il dibattito sul salario minimo legale, *Giornale di diritto del lavoro e di relazioni industriali*, 166/2020, 295-315. <https://doi.org/10.3280/GDL2020-166007>
- Geisberger T. (2021) Entwicklung und Verteilung der Niedriglohnbeschäftigung in Österreich und in der EU, *Statistische Nachrichten* 9/2021, 680-698. [https://www.statistik.at/fileadmin/pages/335/Niedriglohn\\_VSE2018\\_09\\_2021.pdf](https://www.statistik.at/fileadmin/pages/335/Niedriglohn_VSE2018_09_2021.pdf)
- Government of Ireland (2022) Tánaiste announces introduction of national living wage, Press release, 16.11.2022. <https://www.gov.ie/en/press-release/39867-tanaiste-announces-introduction-of-national-living-wage/>
- Greskovits B. (2015) Ten years of enlargement and the forces of labour in Central and Eastern Europe, *Transfer*, 21 (3), 269-284.
- Guga S. (2023) Drectiva Europeana Privind Salarile Minime: Ce Inseamna Pentru Romania?', Presentation at the industriAll Europe Workshop, 26 April 2023, Bucharest.
- Guga S. and Trif A. (2023) Trade unions in Romania: walking the thin line between politics and the market, in Waddington J., Müller T. and Vandaele K. (eds.) *Trade unions in the European Union. Picking up the pieces of the neoliberal challenge*, Peter Lang, 911-943.
- Hällberg P. and Kjellström C. (2020) Collective agreements and minimum wages. Report from the Swedish National Mediation Office, Medlingsinstitutet. [https://www.mi.se/app/uploads/Minimum\\_wages\\_eng.pdf](https://www.mi.se/app/uploads/Minimum_wages_eng.pdf)
- Hamark J. (2022) Strikes and lockouts: the need to separate labour conflicts, *Economic and Industrial Democracy. An International Journal*, 43 (4), 1891-1910.
- Herzog-Stein A., Lübker M., Pusch T., Schulten T. and Watt A. (2023) Europäische Mindestlohnrichtlinie schafft neue Spielräume für eine Weiterentwicklung des deutschen Mindestlohngesetzes – Gemeinsame Stellungnahme von IMK und WSI anlässlich der schriftlichen Anhörung der Mindestlohnkommission 2023, WSI Policy Brief 75, Hans-Böckler-Stiftung. <https://www.wsi.de/de/faust-detail.htm?produkt=HBS-008578>
- Higounenc C. (2021) Les grèves en 2019. Une hausse portée par la contestation de la réforme des retraites, *DARES Résultats* 56, DARES. [https://dares.travail-emploi.gouv.fr/sites/default/files/1958af4775d82c10a396c1a397004f0c/Dares%20Résultats\\_Grèves\\_2019.pdf](https://dares.travail-emploi.gouv.fr/sites/default/files/1958af4775d82c10a396c1a397004f0c/Dares%20Résultats_Grèves_2019.pdf)
- Høgedahl L. and Kongshøj K. (2017) New trajectories of unionization in the Nordic Ghent countries: changing labour market and welfare institutions, *European Journal of Industrial Relations*, 23 (4), 365-380. <https://doi.org/10.1177/0959680116687666>
- Hunger S. and Lorenzini L. (2020) All quiet on the protest scene? Repertoires of contention and protest actors during the Great Recession, in Kriesi H., Lorenzini, J., Wüest, B. and Häusermann S. (eds.) *Contention in times of crisis. Recession and political protest in thirty European countries*, Cambridge University Press, 104-127.
- Ibsen C.L., Toubøl J. and Jensen D.S. (2017) Social customs and trade union membership: a multi-level analysis of workplace union density using micro-data, *European Sociological Review*, 33 (4), 504-517. <https://doi.org/10.1093/esr/jcx055>
- Kasper B. (2022) 2.000 Euro Mindestlohn und -gehalt in allen Kollektivverträgen, *ÖGB*, 07.09.2022. <https://www.oegb.at/themen/soziale-gerechtigkeit/steuern-und-konjunktur/2-000-euro-mindestlohn-und--gehalt>
- LEEF (2022) Final Report of the LEEF High Level Working Group on Collective Bargaining, Labour Employer Economic Forum. <https://enterprise.gov.ie/en/publications/publication-files/final-report-of-the-leef-high-level-working-group-on-collective-bargaining.pdf>
- Maffie M.D. (2022) The global 'hot shop': COVID-19 as a union organising catalyst, *Industrial Relations Journal*, 53 (3), 207-219. <https://doi.org/10.1111/irj.12367>
- Martínez Lucio M. (2017) Organising without knowing it? The curious case of para-organising- style campaigns in southern Europe and the case of trade union elections in Spain, *Transfer*, 23 (1), 89-94. <https://doi.org/10.1177/1024258916684324>

- Müller (forthcoming) The impact of the European minimum wage directive on national minimum wage-setting and collective bargaining, Working Paper, ETUI.
- Müller T, Vandaele K. and Zwysen W. (2023) Wages and collective bargaining: fighting the cost-of-living crisis, in Countouris N., Piasna A. and Theodoropoulou S. (eds.) *Benchmarking Working Europe 2023. Europe in transition - Towards sustainable resilience*, ETUI - ETUC.
- Müller T., Vandaele K. and Waddington J. (eds.) (2019) *Collective bargaining in Europe: towards an endgame. volume I, II, III, IV*, ETUI.
- Müller T. and Schulten T. (2024a) The European directive on adequate minimum wages: a milestone for EU social policymaking', in Vanhercke B., Sabato S. and Spasova S. (eds.) *Social policy in the European Union - state of play 2023*, ETUI - OSE.
- Müller T. and Schulten T. (2024b) The Collective Bargaining Directive in disguise – How the European Minimum Wage Directive aims to strengthen collective bargaining, in Ratti L., Brameshuber E. and Pietrogiovanni V. (eds.) *The EU Directive on Adequate Minimum Wages. Context, Commentary and Trajectories*, Hart Publishing, 71-86.
- OECD (2023) Minimum wage relative to mean and median earnings. <https://stats.oecd.org/Index.aspx?DataSetCode=MIN2AVE>
- OECD/AIAS ICTWSS (2024) Database on Institutional Characteristics of Trade Unions, Wage Setting, State Intervention and Social Pacts (ICTWSS). <https://www.oecd.org/employment/ictwss-database.htm>
- ÖGB (2023) Einmalzahlungen statt KV-Erhöhung sind ein Schmäh!, YouTube. <https://www.youtube.com/watch?v=c10opAsGNMQ>
- Orlandini G. and Meardi G. (2023) Round Table. Implementing the EU Directive on adequate minimum wages in southern Europe: the odd case of Italy, *Transfer*, 29 (2), 253-259. <https://doi.org/10.1177/10242589231175259>
- Plucienniczak P., Rakowska K., Płatek D. and Szklarczyk D. (2022) Beyond strikes? Regime and repertoire of workers' protests in Poland 2004–2016, *Polish Sociological Review*, 218 (2), 169-186. <https://doi.org/10.26412/psr218.02>
- Rasmussen M. B. (2017) Institutions (still) rule: labor market centralization and trade union organization. [https://www.researchgate.net/publication/320273351\\_Institutions\\_still\\_Rule\\_Labor\\_Market\\_Centralization\\_and\\_Trade\\_Union\\_Organization](https://www.researchgate.net/publication/320273351_Institutions_still_Rule_Labor_Market_Centralization_and_Trade_Union_Organization)
- Ricciardi R. (2023) Salario minimo, il confronto con i contratti e le retribuzioni. Ecco quali categorie ne avrebbero un beneficio, *La Repubblica*, 19.07.2023. [https://www.repubblica.it/economia/2023/07/19/news/salario\\_minimo\\_il\\_confronto\\_con\\_i\\_contratti\\_e\\_le\\_retribuzioni-408269144/](https://www.repubblica.it/economia/2023/07/19/news/salario_minimo_il_confronto_con_i_contratti_e_le_retribuzioni-408269144/)
- Rodriguez Contreras R. and Molina Romo O. (2023) Tackling rising inflation in sectoral collective wage bargaining, Publications Office of the European Union. <https://data.europa.eu/doi/10.2806/004554>
- Schnabel C. (2013) Union membership and density: some (not so) stylized facts and challenges, *European Journal of Industrial Relations*, 19 (3), 255-272. <https://doi.org/10.1177/0959680113493373>
- Schulten T. and Müller T. (2013) A new European interventionism? The impact of the new European economic governance on wages and collective bargaining, in Natali D. and Vanhercke B. (eds.) *Social developments in the European Union 2012*, ETUI, 181-213.
- Schulten T. and Müller T. (2021) A paradigm shift towards social Europe? The proposed Directive on Adequate Minimum Wages in the European Union, *Italian Labour Law E-Journal*, 14 (1), 1-19. <https://doi.org/10.6092/issn.1561-8048/13368>
- Soukup N. (ed.) (2019) *Neoliberaler Union oder soziales Europa? Ansätze und Hindernisse für eine soziale Neuausrichtung der EU*, Sozialpolitik in Diskussion 20, ÖGB-Verlag. <https://wien.arbeiterkammer.at/soziales-europa>
- Syrovatka F. (2022) *Neue Europäische Arbeitspolitik. Umkämpfte Integration in der Eurokrise*, Campus Verlag.
- SSSH (2023) Potpisan KU za drvnu i papirnu industriju. <https://www.sssh.hr/novost/potpisan-ku-za-drvnu-i-papirnu-industriju>
- Stanojević M., Poje A. and Broder Z. (2023) Slovenia: from strong trade union movement to uneven de-unionization, in Waddington J., Müller T. and Vandaele K. (eds.) *Trade unions in the European Union. Picking up the pieces of the neoliberal challenge*, Peter Lang, 979-1012.
- Sullivan R. (2010) Labour market or labour movement? The union density bias as barrier to labour renewal, *Work, Employment and Society*, 24 (1), 145-156. <https://doi.org/10.1177/0950017009353660>
- Tomaskovic-Devey D. et al. (2020) Rising between-workplace inequalities in high-income countries, *Proceedings of the National Academy of Sciences*, 117 (17), 9277-9283. <https://doi.org/10.1073/pnas.2009782117>
- Trif A. and Paolucci V. (2019) Romania: from legal support to frontal assault, in Müller T., Vandaele K. and Waddington J. (eds.) *Collective bargaining in Europe: towards an endgame*, ETUI, 505-523.
- Vandaele K. (2016) Interpreting strike activity in western Europe in the past 20 years: the labour repertoire under pressure, *Transfer*, 22 (3), 277-294. <https://doi.org/10.1177/1024258916658804>
- Vandaele K. (2019) Bleak prospects: mapping trade union membership in Europe since 2000, ETUI.
- Vandaele K. (2021) Applauded 'nightingales' voicing discontent. Exploring labour unrest in health and social care in Europe before and since the COVID-19 pandemic, *Transfer*, 27 (3), 399-411. <https://doi.org/10.1177/10242589211031103>

- Waddington J., Müller T. and Vandaele K. (eds.) (2023) Trade unions in the European Union. Picking up the pieces of the neoliberal challenge, Peter Lang.
- World Bank (2022) PPP conversion factor, private consumption (LCU per international \$). <https://data.worldbank.org/indicator/PA.NUS.PRVT.PP>
- WSI-Tarifarchiv (2023) Jahresbilanz des WSI Tarifarchivs. Tariflöhne steigen 2023 nominal um durchschnittlich 5,6 Prozent –Kaufkraft kann annähernd gesichert werden, Pressedienst, 07.12.2023. [https://www.boeckler.de/pdf/pm\\_ta\\_2023\\_12\\_07.pdf](https://www.boeckler.de/pdf/pm_ta_2023_12_07.pdf)
- WSI (2024) WSI minimum wage database international. <https://www.wsi.de/de/wsi-minimum-wage-database-international-15303.htm>
- Zwysen W. (2022) Global and institutional drivers of wage inequality between and within firms, *Socio-Economic Review*, 21 (4), 2043-2068. <https://doi.org/10.1093/ser/mwac054>
- Zwysen W. and Drahokoupil J. (2023) Collective bargaining and power: wage premium of collective agreements in Europe 2002-2018, *British Journal of Industrial Relations*, Early View. <https://doi.org/10.1111/bjir.12777>

All links were checked on 06.02.2024.





# 4. The quest for an eco-social Europe



Béla  
Galgóczi



Mehtap  
Akgüç

Cite this chapter: Galgóczi B. and Akgüç M. (2024) The quest for an eco-social Europe, in Piasna A. and Theodoropoulou S. (eds.) (2024) Benchmarking Working Europe 2024, ETUI and ETUC.

## Topics

Introduction	117
Trends in GHG emissions	118
The energy crisis and national responses	121
Shifting patterns of energy use and energy generation	123
Reshaping industrial policy	127
The social effects of the climate crisis and green transition policies	129
The social dimension of the European Green Deal	133
Conclusions	137



Europe not only  
needs to strengthen  
its 'European Social Model'  
but also needs to reshape  
it as an 'Eco-Social Model'

**Béla Galgóczi and Mehtap Akgüç**

# Introduction

Once seen as an abstract threat for a distant future, climate change has become today's reality, dramatically demonstrated by the series of global heat records and increased intensity of extreme weather events in 2023. October 2023 brought the alarming message home with an absolute record temperature – 1.7 degrees Celsius higher than pre-industrial averages (Copernicus 2023). Climate change is a threat multiplier that drives increasing inequality, with devastating effects on the whole of society. According to the World Meteorological Organization (WMO 2023), southern Europe, with worsening long-term climate scenarios, could see some of the largest global percentage increases in extreme temperatures (over 40°C) and in number of consecutive dry days.

Growing social aspirations have been emerging at EU policy level since the middle of the past decade. This chapter will examine whether and how these can meet the 21<sup>st</sup> century's biggest challenge: to keep our planet habitable and to make the necessary green transformation just.

We should bear in mind that we are in the early phase of a necessary paradigm change in the economic model that has been in place since the Industrial Revolution. Ambitious climate action is not the foggy vision of a few climate enthusiasts: it is a political and economic reality, backed by the United Nations Framework Convention on Climate Change (UNFCCC) Paris targets and anchored in the European Green Deal legislative packages. This policy-driven process is fundamentally reshaping economic activity (production, consumption, mobility, trade and investment) and will have a profound effect on the world of work. In the coming decades, related restructuring processes will be a determining factor, with massive employment and social effects. *Benchmarking Working Europe 2023* provided a detailed analysis (Galgóczi and Akgüç 2023) of the complex, cumulative nature of inequalities within the climate-environment-social nexus. The traditional welfare state covers neither the new risks for society that are emerging from climate change and environmental degradation nor the social risks associated with the green transition.

With the launch of the first 'Fit for 55' package of legislation in July 2021, the European Commission recognised that, in order to have a realistic chance of meeting the 2050 climate-neutrality target, climate policies need to be backed by appropriate social policies and support measures.

The conclusions of the 2023 International Labour Conference stated that: 'Urgent action to advance just transition is an imperative to achieving social justice, decent work and poverty eradication, and to tackling environmental and climate change' and pointed to the role of governments, employers' and workers' organisations for implementation (ILO 2023: 2).

This chapter will track recent advances in decarbonisation, demonstrate some of their social and employment effects and look at policy instruments that are attempting to address emerging challenges in these areas. Section 1 evaluates decarbonisation performance by Member State and by sector. Section 2 discusses the effects of the energy crisis and national responses to it. Section 3 looks at shifting patterns of energy use and energy generation. Section 4 will examine new industrial policy initiatives and take a look at the place of the EU in global clean technology competition. Section 5 focuses on the social and employment effects of the green transition, while Section 6 maps policy instruments that address these, framed as the social dimension of the European Green Deal. Following this review of the major challenges – from climate change and the lack of progress in decarbonisation and renewables deployment through to risks in international low-carbon industry competition and an emerging (though far from satisfactory) just transition framework – Section 7 concludes that 'Social Europe' needs to be renewed and calls for a European Socio-Ecological Model, an 'ESM 2.0'.

# Trends in GHG emissions



Between 1995 and 2021 EU27 GDP grew by 50%, while GHG emissions fell by 23.6%

According to the European Green Deal and the 'Fit for 55' legislative package, by 2030 greenhouse gas emissions (GHG) across the EU27 should be reduced by 55% from 1990 levels: this would be a necessary condition for climate neutrality to be achieved by 2050, as laid down in the European Climate Law. There are no uniform GHG reduction targets for Member States, but the Effort Sharing Regulation (ESR) sets binding targets on each Member State to cut greenhouse gas emissions in sectors not covered by the Emissions Trading Scheme (ETS), such as transport, agriculture, buildings and waste – which together are responsible for 60% of the EU's greenhouse gas emissions.

## GHG emissions by Member State

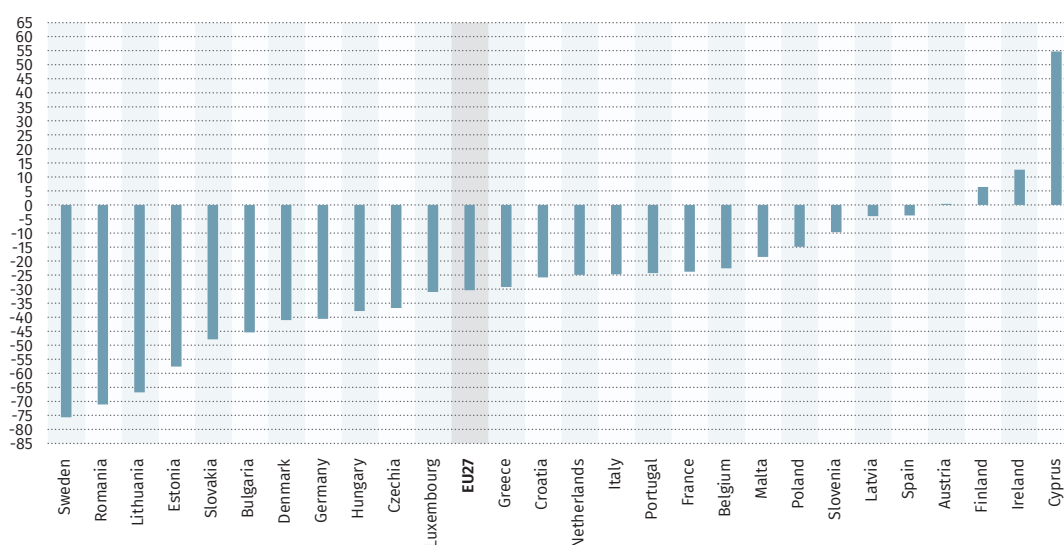
National targets under the ESR (not broken down into sectoral targets) vary according to each country's gross domestic product per capita and cost-effectiveness. All EU countries are required to reduce their greenhouse gas emissions in non-ETS sectors by between 10% and 50% from 2005 levels. This will enable each Member State to deliver a meaningful contribution to the overall EU target of a 40% GHG reduction by 2030. Figure 4.1 looks back to 1990 in order to track how individual Member States managed to reduce their GHG emissions by 2021, taking into account total GHG emissions

in UNFCCC reporting format, including LULUCF.<sup>1</sup> Across the EU27, 2021 net emissions had fallen by 30.4% from 1990 levels. However, the data reveal significant variation among Member States. The three best performers are Sweden, Romania and Lithuania with GHG reductions of 76%, 71% and 67% respectively. Four Member States achieved no reductions in GHG emissions at all, and in fact still show increases: the worst of these is Cyprus, with a 55% increase, followed by Ireland, Finland and Austria (with increases of 13.6% and 0.4% respectively).

Figure 4.2 illustrates that it is possible to decouple trends in GHG emissions from GDP (GDP data for the entire EU27, shown here at constant prices, are available only from 1995 onwards). EU27 GDP grew by 50% over this 26-year period, while GHG emissions fell by 23.6%. When considering the various drivers of this reduction, it is important to note that fuel combustion

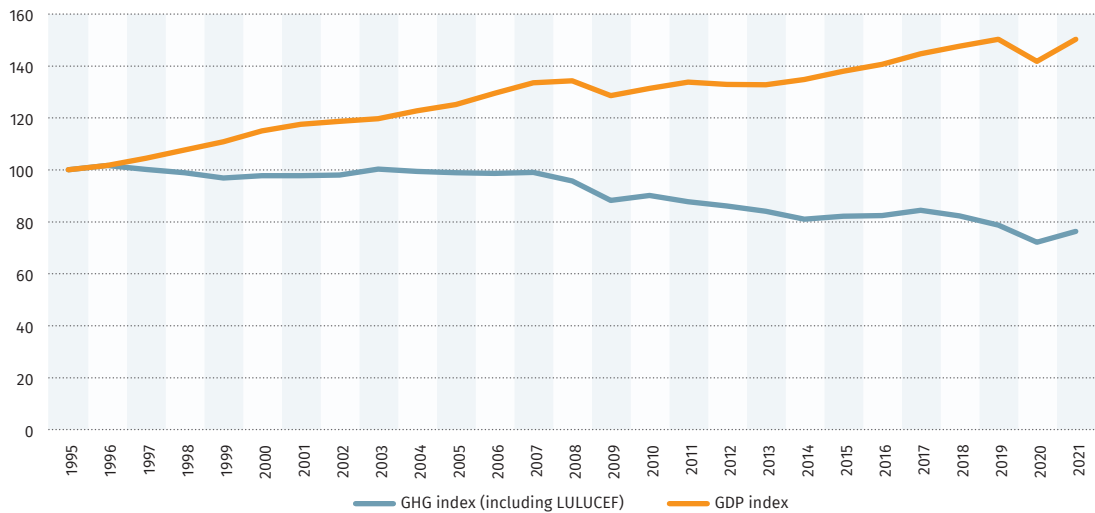
1. LULUCF stands for 'land use, land-use change and forestry': this encompasses the management of cropland, grassland, wetlands, forests and settlements and includes land-use change such as afforestation (planting trees). Currently, the EU land-use sector absorbs more greenhouse gases than it emits, but the difference between GHG reductions with or without LULUCF is not significant at EU27 level. LULUCF has played a major role in emissions reductions in a number of Member States, such as Sweden, Lithuania and Latvia.

Figure 4.1 Greenhouse gas emissions, 2021, percentage change compared to 1990 (total economy, net, UNFCCC standard)



Source: Eurostat (online data code: env\_ac\_aigg\_q).

Figure 4.2 Trends in greenhouse gas emissions and GDP for the EU27, index, 1995=100



Source: Eurostat, GHG in UNFCCC format, including LULUCF.

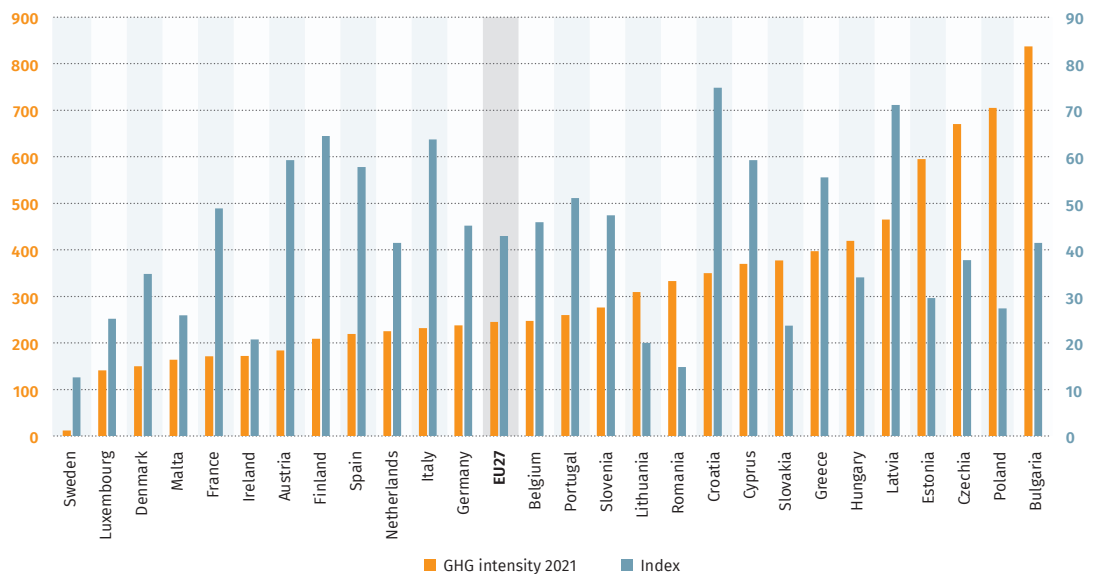
made up 75.4% of total EU27 emissions in 2021 (Eurostat 2023a). Eurostat points to two main factors behind emissions reductions: energy efficiency improvements and changes in the energy mix. However, what drives energy efficiency improvements is another question altogether: to a large extent, they have been due to changes in the overall structure of the economy rather than directly linked to climate policy efforts. Member States performed very differently (as shown in Figure 4.1 above), but – apart from Cyprus, Finland, Ireland and Austria – they all achieved absolute decoupling. Those Member States with fast-growing economies that also achieved deep emissions cuts were the best performers: in fact, all the countries in the

top league for GHG reductions also had above-average growth rates.

As there are many factors that drive emissions reductions, it is not straightforward to draw conclusions about possible convergence in sustainability performance. Therefore, Figure 4.3 takes a closer look at the decrease in emissions intensity of GDP (GHG emissions/unit GDP) between 1990 and 2021 and indicates the absolute level of the GHG emissions intensity of GDP in 2021.

Sweden is by far the best performer in terms of both its reduction in GHG emissions intensity of GDP over the period and its absolute level of GHG emissions intensity in 2021. Sweden

Figure 4.3 Absolute level of GHG emissions intensity of GDP, 2021 (tCO<sub>2</sub>/million euros, left scale) and relative to 1990 (index, 2021 in % of 1990, right scale)



Source: EEA data viewer



In reduction of GHG intensity of GDP, top EU performers were Sweden and Romania

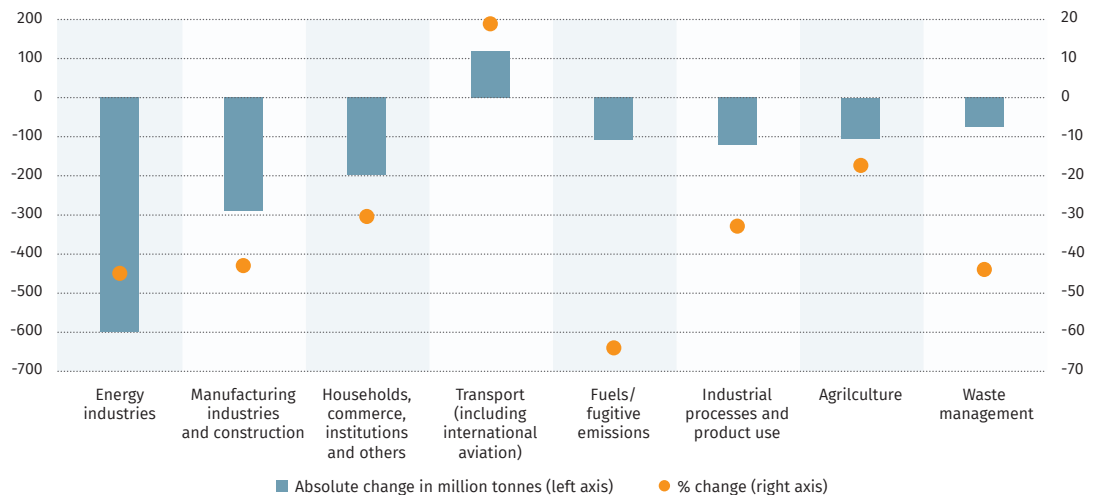
has reduced GHG emissions by 80% since 1995, but shows GDP growth of 86.6%. Apart from Sweden (a top performer by any measure), the performance of central and eastern European (CEE) Member States in improving GDP emission intensity stands out – led by Romania, with its 114% GDP growth and 58% emissions reduction in this period. With seven CEE Member States (all but Croatia, Poland, Slovenia and Latvia) having achieved higher GHG reductions than the EU27 average, while all eleven have had higher GDP growth, we can certainly see signs of convergence towards lower levels of GHG emissions per unit of GDP produced. On the other hand, all eleven CEE Member States still have a higher GHG emission intensity than the EU27 average. Bulgaria has the highest emissions per unit of GDP (3.4 times the EU average), followed by Poland (2.9 times), Czechia (2.7) and Estonia (2.4). In spite of their substantial GHG reductions in the past, this means that these countries face an ongoing challenge to increase energy efficiency and decarbonise their energy mix. There are also two extreme cases: Ireland and Greece. Looking at GHG reductions alone, Ireland is among the worst performers (a 4% increase in GHG emissions since 1995), but, given its extraordinary growth (348% increase in GDP), it showed one of the biggest decreases in GHG emissions intensity of GDP of all Member States during the 26-year period. Greece, in contrast, demonstrated an above-average reduction in GHG emissions (32.5%) – but, since its GDP grew by only 18% in this period, its reduction in GDP emissions intensity was well below the EU27 average.

Thus there is no recognisable overall pattern: there are good performers from east, west and north, although fewer from the south.

## Trends in GHG emissions by sector

When we turn to sectors of the economy, we immediately see that energy generation and manufacturing are the best performers, with 45 and 43% GHG reduction respectively. These two sectors are also responsible for nearly two thirds of the total emissions reduction achieved in absolute terms between 1990 and 2021 (Figure 4.4). Of the broad sectors, only transport did not manage to cut its emissions, and in fact showed almost a 20% increase over the period. This rise was a combined result of increased transport activity, failure to achieve a satisfactory shift in modes of transport – away from road transport in general and individual road transport in particular – and the slow pace of CO<sub>2</sub> emission reductions under real driving conditions. This points to the fact that it will be essential to cut transport emissions radically over the coming decades, with massive investments not only into electromobility – which will have to be coupled with ‘clean’ and renewable energy generation to run it – but also, and most importantly, into public transport and rail infrastructure. The social impacts of this mobility shift will, in turn, require more attention from policy-makers.

Figure 4.4 Greenhouse gas emissions by source sector, EU27, change from 1990 to 2021, million tonnes (left axis) and % change (right axis)



Source: Eurostat (2023a).

# The energy crisis and national responses



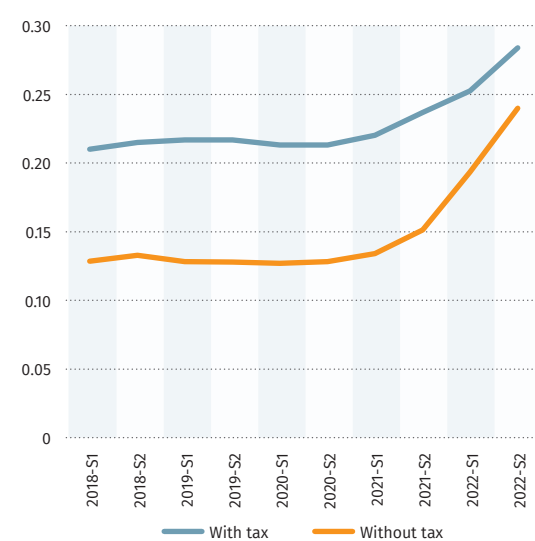
In 2023 Dutch, Belgian and Romanian consumers paid four times more for electricity than Bulgarians or Hungarians

The cost-of-living crisis triggered by runaway fossil fuel energy prices has further amplified inequalities in society. Household electricity prices vary greatly across the EU, as Figure 4.5 shows for the first half of 2021 and the first half of 2023 (2021 S1 and 2023 S1 respectively, Eurostat 2023). In the first half of 2023, electricity prices (including taxes, subsidies and levies)<sup>2</sup> were highest in the Netherlands (0.4750 euros per kilowatt hour), Belgium (0.4350 euros/kWh), Romania (0.4199) and Germany (0.4125), and lowest in Hungary (0.1161) and Bulgaria (0.1137), while the EU27 average price for electricity to household consumers in this period was 0.2890 euros/kWh. Figure 4.5 also provides some insights into price trends, showing that, while some Member States saw dramatic price increases (e.g. Romania and the Netherlands – 170% and 270% respectively), some others did not change at all (e.g. Portugal and Luxembourg), and prices in Spain and Ireland fell over this two-year period.

2. These prices reflect price support measures that, on average, represented two thirds of all government support measures; however, they do not include the effect of income support measures.

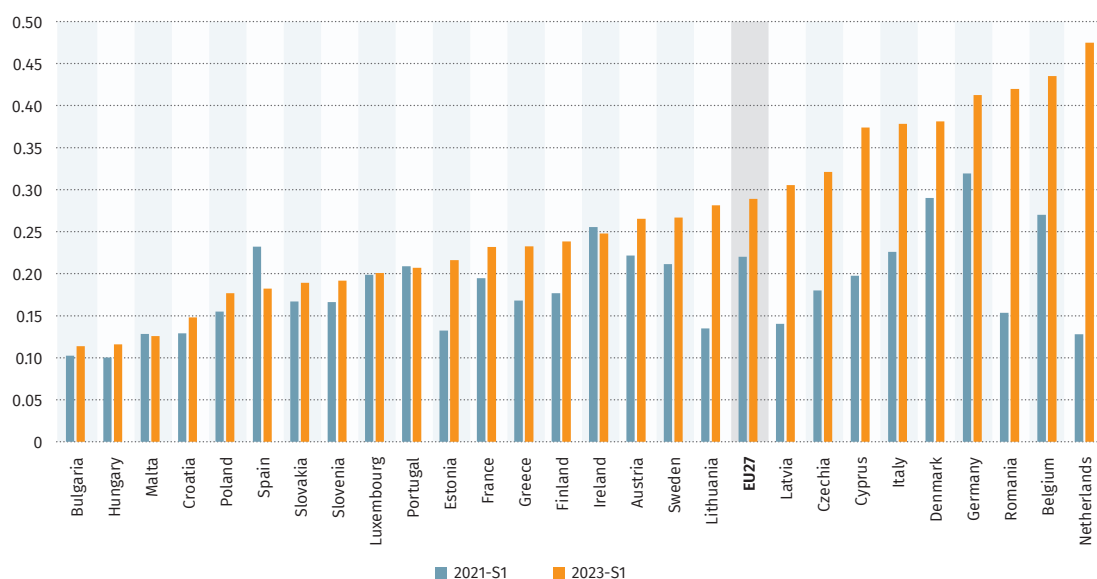
Figure 4.6 reveals trends in electricity prices in the EU27 between 2018 and 2022, showing both the price including all taxes and levies and the one without taxes. Between the second half of 2020 and 2022, electricity prices before taxes and levies had nearly doubled (growing by

Figure 4.6 Electricity prices for household consumers – biannual data (euros/kWh 2018-2022), EU27, with and without taxes



Source: Eurostat online database (2023).

Figure 4.5 Electricity prices for median household consumers, in 2021 S1 and 2023 S1 (euros/kWh)



Source: Eurostat (2023) online database [nrg\_pc\_204\_\_custom\_8567607]. Note: Prices shown include all taxes and levies. Prices applicable to households with median annual consumption of between 2,500 and 4,999 kWh.



87%), but, after all taxes and levies were taken into account, they increased by only 32.6%. It is noticeable that the proportion of prices represented by tax decreased substantially, from 69.2% in the first half of 2019 to just 18.3% in the second half of 2022. This reflects the impact of measures to ease the burden of EU household electricity costs.

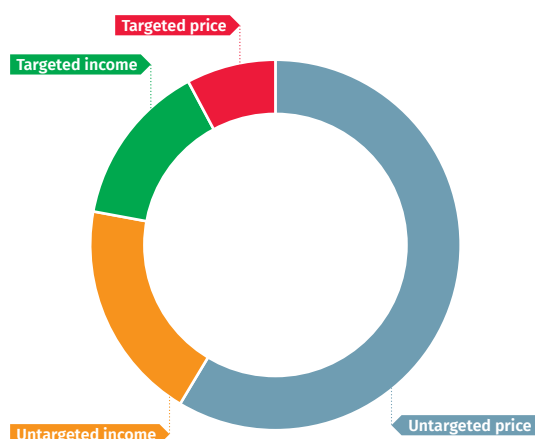
According to the Bruegel database (Sgaravatti et al. 2023), governments in the EU27 have implemented various national compensation measures to tackle the energy crisis. Figure 4.7 shows that non-targeted price measures – for example, cuts to excise duties and VAT – represent 58.6% of the total amount allocated or earmarked, followed by non-targeted income support (19.2%). Targeted income support makes up a further 14.3%, while targeted price measures account for the remaining 7.8%. On this basis, non-targeted, broad-based measures are dominant (almost 80% of total support),

reaching the entire population regardless of their income or any other characteristics.

In general, social and climate policy objectives do not necessarily conflict. National case studies by an ETUI research project (Galgóczy 2023) – looking at Austria, France, Germany, Greece, Italy, Poland and Spain – reveal that governments’ short-term support measures, mobilising huge resources to shield households and firms from the effects of the extraordinary increases in fossil fuel energy prices, had the primary objective of macroeconomic stabilisation. Medium-term and long-term measures to diversify energy networks and invest in energy efficiency and renewables were meant to be more transformative: these were the ones that governments regarded as beneficial in addressing climate policy challenges.

These case studies also highlighted the fact that short-term government support was poorly targeted – which tallies with the EU27 aggregate data from the Bruegel study, some 80% of spending having been directed to broad-based measures. As a result, the ultimate price effect tended to be regressive, with the biggest beneficiaries (in terms of absolute amount) of public subsidies for fossil fuels being higher income groups. Since lower-middle and middle-income households were also severely affected, the extent of this price shock required measures going beyond poverty reduction; however, it is clear that the resources spent in support of higher-income households (the fourth and fifth income deciles) were helping to finance their higher carbon footprints. These funds could have provided more support for those really in need or been earmarked for the major investments that are required to transition away from fossil fuels.

Figure 4.7 **Distribution of allocated and earmarked funding to shield EU27 households, by main type of measure, for the period September 2021 to January 2023 (in % of the total 432 billion euros)**



Source: Bruegel (Sgaravatti et al. 2023).

# Shifting patterns of energy use and energy generation

The Council Regulation on coordinated demand-reduction measures for gas (European Union 2022), announced in May 2022 in response to energy market disruptions following Russia's invasion of Ukraine, aims to rapidly reduce dependence on Russian fossil fuels by 2027. As part of the European Commission's REPowerEU plan (European Commission 2022a), it builds on existing initiatives – including the Recovery and Resilience Facility – and increases the renewable energy target of the 'Fit for 55' package (launched in 2021) from 40% to 45%. The following sections of this chapter provide an overview of energy use and generation and also look at whether the EU investment is on track to meet its targets.

## Energy use

### Gas

The plan to end EU dependence on fossil fuels in general and on Russian oil and gas in particular set a demand-reduction target of 15% for the period August 2022 to March 2023 compared with the average for the same period in the five previous consecutive years. This has been achieved: between August 2022 and March 2023, total EU consumption of natural gas dropped by 17.7%, compared with average gas consumption for the same months (August-March) between 2017 and 2022 (Eurostat 2023b). In 2022, the largest natural gas consumers all reduced their demand substantially: Germany, Italy and France had the highest inland demand, with 3.07 million terajoules (-15.4% from 2021), 2.61 million terajoules (-9.9%) and 1.54 million terajoules (-9.6%) respectively. Demand fell in most EU countries except for Ireland and Malta, where it rose slightly – by 2.1% and 1.4%, respectively (Eurostat 2023b).

The International Energy Agency (IEA) has calculated the main drivers of the EU's gas demand reduction for the year 2022 (Zeniewski et al. 2023) and has also tried to weigh up the extent to which this demand reduction might prove sustainable. In 2022 (taking the full year into account), European Union demand for natural gas fell by 13.2%; in absolute terms, this was a reduction of 55 billion cubic metres (bcm). Zeniewski et al. calculated the contribution of the main sectors of the economy to this, as

well as examining the underlying drivers of the reduction.

They found that power generation was the only leading sector where gas demand rose above 2021 levels. This was by a relatively modest 2 bcm, resulting from two opposite trends. On the one hand, a potential 32 bcm gas demand for power generation was avoided by the combined effect of increased use of renewables (11 bcm), burning more coal (6 bcm) and other factors (15 bcm). On the other hand, gas demand increased because of a significant reduction in nuclear (22 bcm) and hydro power (12 bcm) generation. This additional 34 bcm gas demand resulted primarily from low water levels in rivers under the impact of drought. According to the EEA (2023), in 2022 the area of the EU affected by drought was several times that of the average for the period 2000 to 2020.

The buildings sector (comprising households, public and commercial spaces) achieved a 28 bcm reduction in demand for natural gas compared with 2021 levels – a drop of almost 20%. According to calculations by Zeniewski et al., weather effects contributed most to the sector's demand reduction, representing a fall of 18 bcm. The next most significant factor was what the authors framed as 'behavioural changes and fuel poverty', which explained 7 bcm of the reduction. Energy efficiency improvements contributed a drop of approximately 3 bcm.

Finally, industry made a contribution, reducing its total gas demand by 25 bcm (a drop of 25%). More than half of this (13 bcm) came from production curtailment resulting from lower output combined with replacement of local production by imports. Fuel switching within industry resulted in a further 7 bcm reduction.

It is clear that only a small proportion of this demand reduction can be attributed to long-term sustainable solutions: reductions of 3 bcm from energy efficiency gains in buildings, maybe another 3 bcm from longer-term behavioural change (though fuel poverty should certainly not be regarded as a solution), then possibly 7 bcm from fuel switching in industry. This means that, of the 55 bcm total gas demand reduction achieved in 2022, only 13 bcm – less than a quarter – can be seen as related to long-term effects.

## Electricity

Reduction in electricity demand has been rather modest. Preliminary data for 2022 indicate that gross electricity production in the EU decreased by 3.0% compared with 2021 levels, and by 3.9% (van Halm 2023) from the 2017-2019 average.

## Energy generation

The REPowerEU plan aims to rapidly reduce dependence on Russian fossil fuels by 2027. It increases the proposed renewable energy target of the 'Fit for 55' package (launched in 2021) from 40% to 45% and builds on existing initiatives, including the Recovery and Resilience Facility.

This aim to increase renewable energy use, combined with other REPowerEU provisions intended to reduce energy demand, implies significant growth in the proportions of renewable capacity across the electricity, transport and heating/cooling sectors. The Commission estimates that, by 2030, use of renewable energy in electricity generation would need to climb to 69% and in transport to 32%; in heating/cooling, it should rise by at least 2.3 percentage points annually (European Commission 2022b).

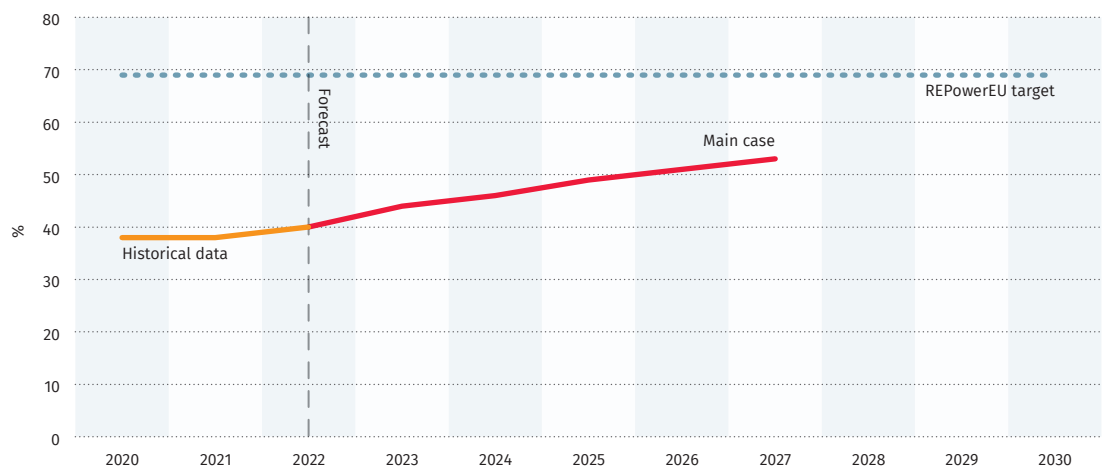
According to IEA calculations (2022), expansion of solar photovoltaic (PV) and wind capacities will be insufficient to reach the REPowerEU plan's renewable electricity objectives for 2030. The latest World Energy Transitions Outlook (IRENA 2023a) states that capacities of 592 gigawatts (GW) of solar PV and 510 GW of wind would be required by 2030 in order to achieve the target of a 69% share of renewable electricity modelled by the Commission. This would require average annual increases of 48 GW in solar PV and 36 GW

in wind power, whereas the baseline scenario forecasts that average annual net increases in the period 2022-2027 will be only 39 GW for solar PV and 17 GW for wind. As Figure 4.8 shows, this translates to a 54% share of renewables-based generation in the electricity sector – 15 percentage points below the 69% target set for just three years later. In other words, if Europe is to install the capacity required to generate 69% of its electricity from renewables by 2030, average annual net additions need to be 22% higher for solar PV and more than twice as high for wind power.

Thus there is a long way to go to meet REPowerEU targets, and trends over the past two years suggest that the EU is not on a trajectory to achieving them.

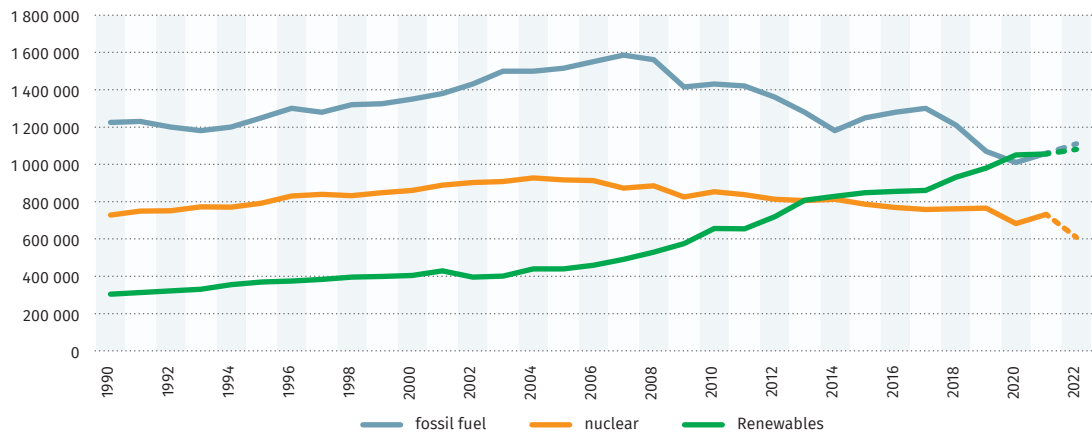
Despite renewable energy sources having generated more electricity than fossil fuels in 2020, there has been a resurgence in fossil fuel use: in 2022, they were the leading source of electricity for the second year in a row. Fossil fuels generated 1.11 million gigawatt hours (GWh) in 2022, an increase of 3.3% over 2021 levels, while renewables generated 1.08 million GWh (+0.1%). According to Eurostat (2023c), electricity generation from certain solid fossil fuels surged in 2021 and continued to increase in 2022, when lignite rose by 6.7% and the category 'other bituminous coal' by 10.0%. In contrast, there was not much progress on the renewables side: although electricity production from solar photovoltaic energy (+29.3%) and wind power (+8.9%) grew in 2022, hydropower and solid biofuels fell in that year (-17.7% and -7.4% respectively). As a result of these diverging trends, the proportion of electricity generated from renewable sources has hardly moved since 2020, as Figure 4.9 shows. The output of nuclear

Figure 4.8 Share of electricity from renewables in main case scenario vs. REPowerEU target, 2020-2030, EU27



Source: IEA (2022).

Figure 4.9 Electricity production in the EU27 by type of fuel (GWh, 1990-2022)



Source: IEA (2022).

power plants dropped by 16.7% from its 2021 level, to just 609,000 GWh – a fall of 20.1% from the 2017-2019 average.

Putting this into the global context, while the EU made some progress in energy saving and in a moderate expansion of renewables, it still fell short of its REPowerEU objectives. Moreover, in absolute terms, the EU’s moderate 2022 additions to renewable energy capacity lag far behind China, as Figure 4.10 shows. In 2022, China added 141 GW of new capacity in renewable energy generation, the EU added 57.3 GW and North America 29.1 GW (IRENA 2023b). This has not always been the case: in 2011, at its peak, the EU made as much investment into renewables as the US and China combined (Galgóczi 2020).

China is forecast to match its 2022 addition of 48% of global new renewables capacity, installing 50% of new worldwide renewable power capacity in the period 2022-2027. Despite

the phase-out of its wind and solar PV subsidies, growth will accelerate in the next five years: policy guidelines and targets in China’s new 14<sup>th</sup> Five-Year Plan include ambitious renewable energy objectives. In most Chinese provinces, utility-scale renewables are cheaper than regulated prices for coal-derived electricity, and this is driving their rapid adoption. On the current basis, China is expected to reach its 2030 target of 1,200 GW of total wind and solar PV capacity five years early. This again means that the EU is not only falling behind its own targets, as set by the REPowerEU Plan, but also lagging behind in international terms. This might affect its competitiveness in key low-carbon industry segments, putting European industrial jobs at risk (see more in next section on industrial policy).

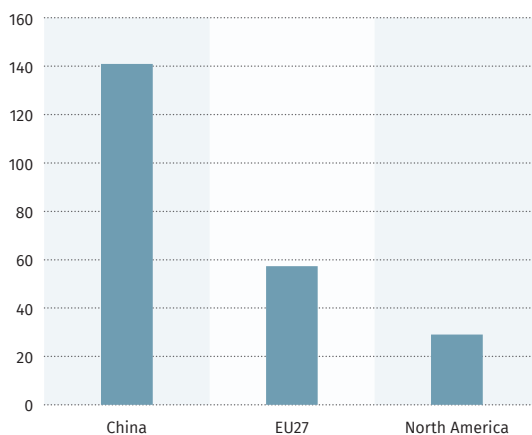
## The investment gap

The EU needs to speed up green investments not only in order to avoid a climate catastrophe and meet its own objectives, but also to face the challenge of increased international competition for green manufacturing. In a geopolitical environment where China is spending much more and the US is keen to follow, there will be heightened competition for jobs, economic value, technological leadership and supply chain dominance across clean energy and other technologies with significant economic costs for the EU.

The European Commission (2021a) estimated that, in order to achieve the European Green Deal objectives, an additional investment of 520 billion euros per year would be needed across the EU. Now, with a higher emission reduction scenario – to meet the Paris Agreement’s goal of pursuing efforts to limit global heating to 1.5 degrees and, specifically, for the EU to achieve

“  
The EU is not only falling behind its own renewables target, as set by the REPowerEU Plan, but also lagging behind in international terms

Figure 4.10 New renewable energy capacity expansion, China, EU27 and North America, in GW, 2022



Source: IRENA (2023b)

65% emission reductions by 2030 – the New Economics Foundation estimates that this figure would be more in the order of 855 billion euros per year, excluding investment in transport (NEF 2023). In addition, climate adaptation costs are estimated in the range of 158 billion to 518 billion euros (1% to 3.3% of EU GDP) per year.

Taking into account the contribution of private investments, the NEF estimates a public investment requirement of between 359 billion and 615 billion euros a year, depending on the public-private split: this represents 2.3% to 3.9% of 2023 GDP. In fact, the NEF has calculated that only four Member States (Ireland, Sweden, Latvia and Denmark) would be able to create adequate fiscal space to cover an additional 3% in climate spending while still remaining below

the 3% deficit required under prevailing EU fiscal rules.

In fact, these rules do not allow for increased investment on this scale, despite the temporary application of the ‘general escape clause’ in the EU Stability and Growth Pact, triggered in the past few years by the pandemic and the Ukraine war (see Chapter 1 of this publication for more details). A part of Member States’ energy transition investment needs is currently being co-financed by the Recovery and Resilience Facility through National Recovery and Resilience Plans; however, this ad hoc instrument for co-financing the green transition is available only until the end of 2026, and there are no specific plans for a follow-up scheme.

# Reshaping industrial policy

## The industrial policy context

In any quest for a social Europe, in particular for an eco-social Europe, it is important for Europe to have a strong, competitive, low-carbon industrial base. Strong, future-proof industries are vital to economic and social resilience and can provide millions of well-paid, high-quality jobs. It has been recognised that industrial policy will play a crucial role in reaching the EU’s net-zero climate targets, and is also an integral part of its just transition approach. The EU has launched a series of industrial policy measures, including the Green Deal Industrial Plan (European Commission 2023a) and the Critical Raw Materials Act (European Commission 2023b), an amended Temporary State Aid Crisis and Transition Framework and the Important Projects of Common European Interest initiative. Eleven Member States (Baczynska 2023), as well as various experts and interest groups have raised concerns that allowing greater flexibility in state aid rules without additional EU resources would lead to growing disparities in Europe. In response, the Commission initially proposed setting up a European Sovereignty Fund in the context of the summer 2023 review of the Multiannual Financial Framework. However, it has now backed away from the idea of a Sovereignty Fund and, in June 2023, presented a much-downscaled version in the form of a Strategic Technologies for Europe Platform (STEP) (European Commission 2023c). This will be a dedicated funding platform to support innovative technology solutions in the context of the green and digital transitions – a rather disappointing outcome, since it involves

only 10 billion euros of new resources. Even with the Commission’s usual optimistic expectation that this will ‘leverage private capital’ (in this case, to the tune of up to 160 billion euros), it may well fall short when compared with the resources mobilised by the US and China.

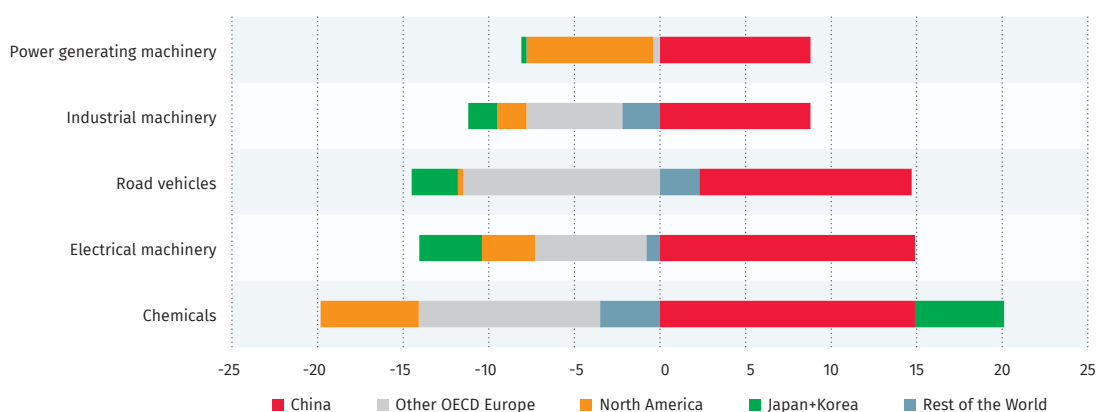
Europe’s tricky position in the race for low-carbon technology leadership can be clearly seen in Figure 4.11, which gives recent data on trade between major regions of the world. Trade with China has developed in opposite directions for the US and the EU over the past four years. While the share of total US imports coming from China fell from 21% in 2018 to 16% in 2022 (Romei 2023, not shown in Figure 4.11), the picture for the EU is completely different: Eurostat data show that the value of goods imported by the EU from China almost doubled between 2018 and 2022.

In 2022, goods exports from the EU to China remained more or less unchanged, at 230 billion euros – but imports increased to 626 billion euros, making up more than a fifth of total EU imports (Bounds and Fleming 2023). Figure 4.11 clearly shows that EU imports from China in strategic product groups grew significantly over the four-year period, while imports from traditional EU partners such as the US and the UK (‘other OECD Europe’) shrank. In power generation machinery, imports from China grew by 8%, while from North America they fell by a similar amount. EU imports of road vehicles, electrical machinery and chemicals from China grew by 15%. All in all, this does not lead us to think that a strategy of diversifying imports away from China would work.



Trade with China has developed in opposite directions for the US and the EU over the past four years

Figure 4.11 Change of EU imports from world regions by key product groups between 2018 and 2022 (%)



Source: OECD (2023), Financial Times (2023).

The US Inflation Reduction Act (IRA) and the CHIPS and Science Act are leading investment vehicles, intended to boost US low-carbon industries. However, they also have a broader dimension with reference to the tectonic geopolitical shifts of the past few years. One central US political objective has been to contain China's influence and, as far as possible, to decouple the US economy from China's (though this 'ambition' has recently been reduced to 'de-risking' – which simply means diversifying suppliers). It would go far beyond the scope of this chapter to discuss whether this major power confrontation could benefit the rest of the world in any way – or might even put global climate policy targets at risk (Lee 2023). Here we limit ourselves to raising a few points about the effect of this on Europe and about the European responses that are emerging.

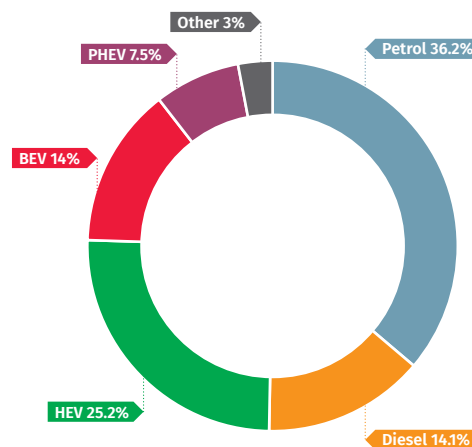
A secondary effect of the IRA and US 'de-risking' strategies will be how countermeasures and responses by China affect the rest of the world. Development of battery manufacturing capacities in China shows that the country will be building up significant overcapacities in the next decade (more than quadrupling its current capacities) – and, between the US and the EU, it is Europe that will be more vulnerable to any possible Chinese battery dumping.

## Battery electric vehicle (BEV) sales in the EU

Transition towards electromobility is a key aspect of meeting the net-zero objective of the European Green Deal. It also has a major impact on European jobs. According to ACEA (2023), new car sales in the EU grew substantially (+16.9%) in the first three quarters of 2023, totalling 8 million registered units (though this still remained well below the pre-Covid-pandemic level of 10 million units in 2019). Except for Hungary (-3.2%), all the region's markets recorded gains during these nine months, including the four largest: Italy (+20.5%), Spain (+18.5%), France (+15.9%) and Germany (+14.5%).

In this period, battery electric cars (BEV) reached a market share of 14% of new car sales by type of fuel, up from 10.6% in the same period during 2022. As Figure 4.12 shows, petrol cars made up the biggest share – 36.2% of new car sales: this was only a slight drop from the 2022 figure of 37.8%. Diesel cars made up 14.1%, down from 17.2% in 2022. Sales of hybrid-electric cars (HEV) grew moderately, from 22.8% of the market in 2022 to 25.2% in 2023, while plug-in hybrids (PHEV) made up 7.5%, illustrating that the shift towards electromobility is gaining momentum.

Figure 4.12 New car sales by fuel type in the EU27 (2023 Q1-Q3)



Source: ACEA (2023).

A further concern in Europe, linked to the discussion on industrial policy in the previous section, is that China's share of the European electric car market is rapidly increasing (Jasper 2023). Chinese car makers sold almost the same number of electric cars in Europe in the first seven months of 2023 as they did in the whole of 2022. According to Schmidt Automotive Research (2023), the Chinese share of the total European car market has risen steadily – from 0.1% in 2019 to 2.8% in the first seven months of 2023. Chinese companies are targeting electric vehicles in particular: their market share of pure battery electric cars rose from 0.5% in 2019 to 3.9% in 2021 and reached 8.2% in the first eight months of 2023. This last figure represents sales of over 100,000 battery electric cars – a 150% increase on 2022. This trend also results from the fact that European car makers have focused their business strategies on premium market segments, abandoning the production of smaller, more affordable entry-level electric cars. If the European automotive industry cannot produce affordable clean cars, this will not only add to inequality in clean mobility but also pose a threat to high-quality jobs in European automotive manufacturing.

# The social effects of the climate crisis and green transition policies



Energy poverty in the EU27 increased by 35% in 2022 from its 2021 level, with 9.3% of the total population (41.5 million people) unable to afford to heat their homes adequately

Having reviewed some of the progress made in decarbonisation and the challenges posed by the energy crisis, as well as having given a brief insight into the geopolitical stakes of clean technology competition, we now consider the social effects of the climate crisis and the green transition, in terms of their distributional, population and employment effects.

## Energy poverty in the EU by Member State

Trends indicate that higher energy costs have the harshest impact on vulnerable lower-income groups, whereas richer households may even increase their energy consumption and their carbon footprints – as, for example, fast-growing civil aviation and SUV sales show (IEA 2022). The apparent outcome is that, while the cost-of-living crisis might have resulted in some incremental reductions in emissions simply because energy is unaffordable for many households, it has exacerbated inequalities, with devastating social effects. Figure 4.13 shows that, according to Eurostat (2023d), energy poverty in the EU27 increased by 35% in 2022 from its 2021 level, with 9.3% of the total population (41.5 million people) unable to afford to heat their homes adequately. Furthermore, 20.2% of those at risk of poverty across the whole of the EU were unable to maintain their homes at an adequate temperature; in Greece, Bulgaria and Cyprus, up to 50% of poorer households suffered energy poverty.

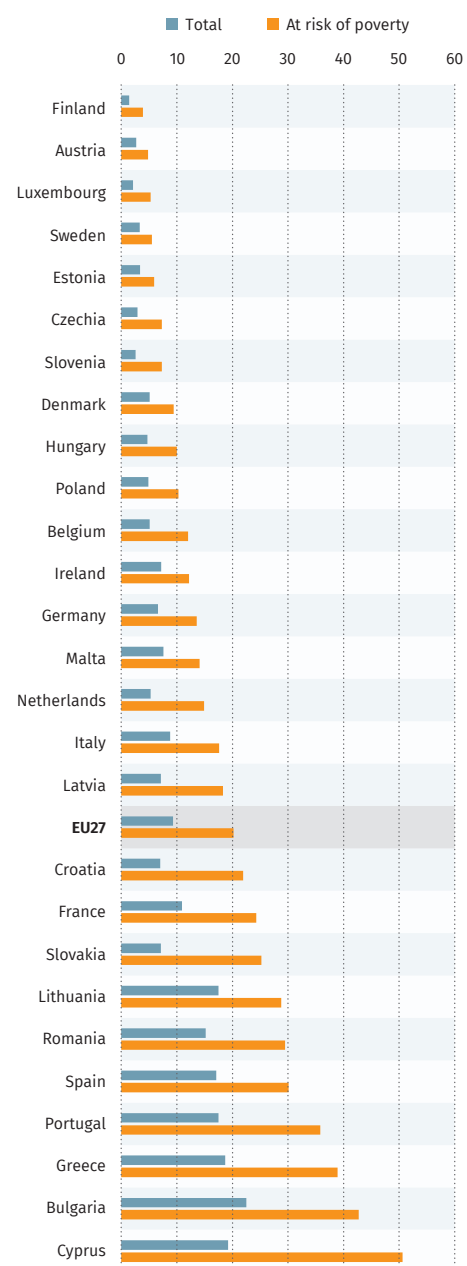
## Green jobs in the EU – quantity and quality

The term ‘green jobs’ has entered the mainstream and is now used by trade unions, environmental NGOs, the ILO and policy-makers.

According to the United Nations Environment Programme (UNEP 2018), green jobs are defined as ‘positions in agriculture, manufacturing, R&D, administrative, and service activities aimed at substantially preserving or restoring environmental quality’. ‘Green’ has thus become

a shorthand term to describe the wide range of issues, processes, products and services that relate to sustainability and the environment. The term ‘green jobs’ also serves a positive narrative

Figure 4.13 Energy poverty – share of population unable to keep their home warm (% , 2022)



Source: Eurostat (2023d). Note: For total population and for population at risk of poverty (defined as below 60% of national median equivalised disposable income).



of the green transformation, which focuses on job creation in an attempt to overcome the ‘jobs versus the environment’ rhetoric.

However, it is difficult to align the terminology with established statistical classifications, even though various attempts to do so have been made. For instance, a recent OECD publication (2023) picks up on the approach of the US Occupational Information Network (O\*NET n.d.) that classifies occupations according to their ‘greening’ content, taking into account the extent to which green economy activities and technologies increase the demand for existing occupations or shape the work and worker requirements.

Eurostat uses ‘environmental goods and services sector (EGSS)’ accounts to report on the economic sector that generates environmental products, i.e. goods and services for environmental protection or resource management. Using this terminology, Eurostat (2023e) has estimated that jobs in the EU environmental economy increased from 3.2 million full-time equivalents in 2000 to 5.1 million full-time equivalents in 2020, accounting for about 2.5% of total EU employment. While this is a significant increase, Figure 4.14 also reveals that the increase in value added was more substantial than employment growth, implying lower labour intensity in the environmental economy. At the same time, these jobs represent only a small fraction of EU employment.

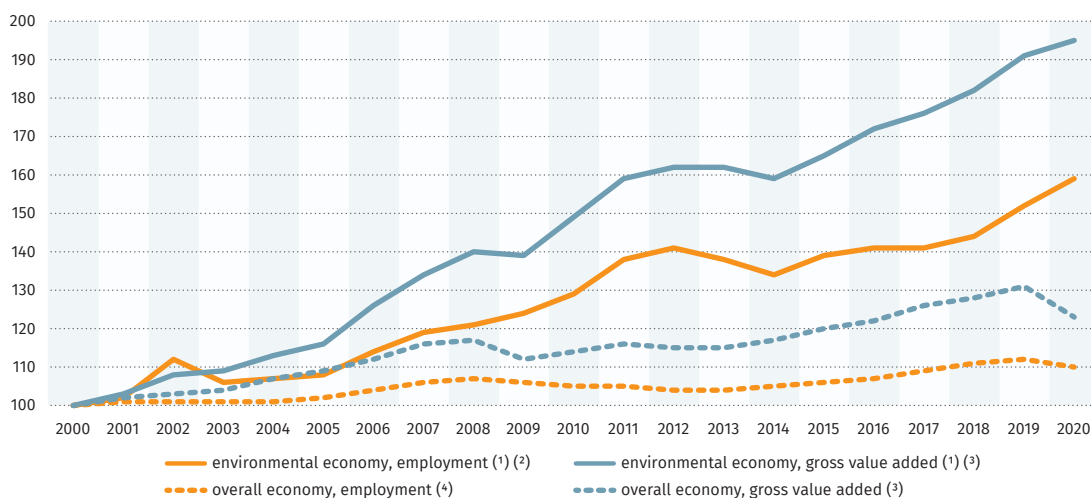
All these ways of classifying green jobs not only struggle to keep pace with the fast-changing realities of the world of work, but also lack

comparability in the first place. In addition, some activities and jobs are hard to classify into distinct categories. For example, it is tempting to split the automotive industry into the segments that produce combustion engine cars and those that build electric vehicles; even where the employment concerned mixes these activities, it can be split according to working time or value added. But what about the supplier industry that provides parts – such as seats, chassis or tyres – for general use? Similarly, classification of ICT work, coding and software development depends on the segment of the industry in which they are applied: indeed, they can be used in projects linked to either the fossil-fuel-based or the green economy or both.

Instead of focusing on how to define ‘green jobs’, a more dynamic approach can be taken, analysing the employment and skills aspects of green transition. As an expert document by the European Commission (2021b) has suggested, the term ‘greening occupations’ could be a promising concept, helping to identify the employment and skills policies needed to underpin a successful green transition. Accordingly, structural changes in the labour market will be linked to many different processes as the transition unfolds: job creation, job substitution (a shift in economic activity within or across sectors, from resource-intensive activities to more circular activities), job destruction and job redefinition, as existing jobs change their day-to-day skill sets, work methods and profiles.

When it comes to the gender-specific implications of the green transition, it is no surprise that the disruptive effects of the

Figure 4.14 Trends in key indicators for the environmental economy and the overall economy, EU27, 2000-2020 (2000=100)



(1) Eurostat estimates  
(2) In full-time equivalents  
(3) Index compiled for chain-linked volumes data in € million (reference year 2010; at 2010 exchange rates)  
(4) Thousand persons  
Source: Eurostat (online data codes: nama\_10\_a10\_e, nama\_10\_gdp, env\_ac\_egss1, env\_ac\_egss2)



According to a recent OECD study, men are overrepresented in green-task jobs

transition affect men and women differently, with the risk of deepening gender divides in local labour markets. According to a recent OECD study, men are overrepresented in green-task jobs – defined as those where tasks directly help to improve environmental sustainability or to reduce greenhouse gas emissions – and these jobs can be found in occupations at all levels of education and in various sectors. As shown in Figure 4.15 (OECD 2023), men occupy nearly three quarters of these jobs across the OECD countries, while women hold just 28%. Some of this gender gap could be explained by the underrepresentation of women in STEM fields (see Galgóczi and Akgüç 2023), as such skills are often, if not always, a prerequisite of green-task jobs. The distribution of ‘non-green-task jobs’ between men and women is almost equal. While the apparent gender asymmetry of green-task jobs is certainly linked to the absence of standardised classifications (as explained in the previous section), it also highlights the limitations of the technological focus that currently dominates the green transition. From that point of view, findings on gender segregation in green-task jobs should be interpreted carefully: there are low-emission sectors, such as social care, that are female dominated – with relatively low pay, poor working conditions and gender segmentation.

There are also significant disparities across regions within countries, even though some have taken measures to increase the share of women in green-task jobs (OECD 2023). Although it is hard to explain these regional gender disparities simply by looking at a map, part of the reason might lie in the localisation of jobs in polluting industries (e.g. mining or energy-intensive sectors): these often create high emissions in regions that, simultaneously, are characterised by limited labour market opportunities in general – but particularly for women.

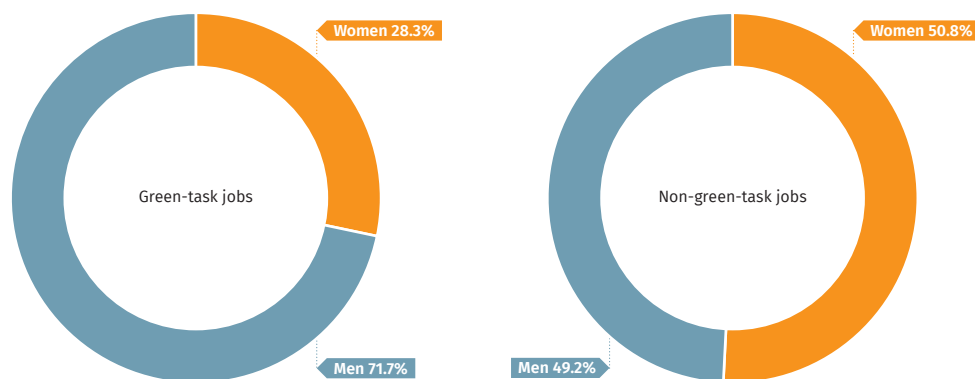
Although most policy attention is currently focused on the ‘job creation’ and ‘job destruction’ aspects of green restructuring, the scale of employment change resulting from the green transformation goes much further. Most labour market change consists of job redefinition and related labour market transitions, and these also need to be addressed. The quality of the jobs that emerge in a low-carbon economy will also require more attention from policy-makers, who should focus on the entire value chain. Supplier industries – such as battery cell manufacturing – and jobs in industries extracting materials critical for the green transition often have low labour standards. It is essential that industrial policy initiatives, such as the Green Deal Industrial Plan and new state aid rules, should make any investment and industry support measures conditional on defined labour and social standards.

### Climate-induced migration

Given the increasing frequency and intensity of natural disasters, with record extreme weather events occurring almost every year, climate-induced migration is another important societal impact of the climate crisis. Although still not receiving explicit attention in European environmental policy, the challenge of climate-induced migration is emerging in several regions across the world, including Europe, where eastern and southern regions are most affected (Akgüç and Kimbimbi 2023).

Although it can be difficult to disentangle the root causes of migration, environmental reasons are clearly emerging as significant push factors playing a role in people’s patterns of mobility. The type of movement (voluntary versus involuntary, temporary versus permanent) also depends on the nature of the disaster:

Figure 4.15 Green-task jobs and non-green-task jobs by gender (%)



Source: OECD (2023), based on EU-LFS for the majority of OECD countries and on national Labour Force Survey data from Australia, Canada, the US and New Zealand.

rapid-onset events such as flooding or wildfires influence migration patterns differently from slower ones such as rising sea levels or glacier melting. So far, research indicates that climate-induced migration takes place mainly internally and that there is a high incidence of return migration (95% of the time), while only a small part of this migration involves crossing national borders (Czaika and Münz 2022). On this basis, global estimates indicate that nearly 350 million people were displaced between 2008 and 2021 because of weather conditions. Using

an economic projection model, Burzyński et al. (2022) forecast that climate change will lead to the voluntary and forced displacement of 100-160 million workers over the course of the 21<sup>st</sup> century, corresponding to 200-300 million climate migrants of all ages. While we do not have disaggregated data for Europe on this topic yet, a report by the World Bank has estimated the number of climate-induced migrants at around 5 million in eastern Europe and Central Asia combined (Clement et al. 2021).

# The social dimension of the European Green Deal

It has become clear that an adequate social dimension is indispensable to achieving the EU's ambitious declared decarbonisation objectives – particularly since July 2021, when the Commission launched the first 'Fit for 55' legislative package for implementation of the European Green Deal objectives.

As our previous work has shown, the patchy EU 'just transition' framework, with the Just Transition Mechanism and the Social Climate Fund (SCF), is far from a satisfactory approach to the complexity of these challenges (Akgüç et al. 2022). Both these policy instruments were initially planned with a narrow focus: then, when their scope was extended, the resources allocated for them were cut or left at the same level. The European Commission originally designed the Just Transition Fund (JTF) to provide social support for workers dismissed when mines or related fossil-fuel-based power plants closed, but it was then extended in order to meet industrial and regional policy objectives. Given the smaller size of the fund approved by the European Council (down from its originally proposed 40 billion euros to 17.5 billion euros), the JTF is clearly no longer a satisfactory means of addressing the restructuring challenges faced by carbon-intensive regions. For comparison, the German government has allocated 40 billion euros to just transition support measures for its coal regions (Schulz 2020). It is also clear that just transition assistance is needed not only for carbon-intensive regions (mostly producing coal and peat) but also for a much broader range of economic sectors affected by the green transformation (e.g. automotive and other manufacturing sectors).

The SCF was set up with modest resources, aiming to fend off social effects by the planned Emissions Trading System (ETS2) for road transport and buildings, and will be operational from 2026. Lately, it has come to be regarded as a general tool for tackling the adverse social effects of runaway energy prices.

The 2022 energy and cost-of-living crisis also demonstrated the shortcomings of existing resource allocations, leading the EU to repurpose its most innovative instrument, the Recovery and Resilience Facility, as part of the NextGenerationEU plan to support Member States in dealing with its impacts. In the face

of a new geopolitical configuration, the EU has also ramped up its industrial policy efforts, launching the Green Deal Industrial Plan and the Net-Zero Industry Act. Member States have gained more room for manoeuvre, with more flexible state aid rules under the Temporary Crisis and Transition Framework: yet, without a substantial injection of EU resources, the outcome of this will be to accentuate existing regional disparities and create new ones.

Next, we examine the available resources and allocations for two of the just transition instruments: the Just Transition Fund and the Recovery and Resilience Facility. The Just Transition Mechanism addresses the social and economic effects of transition, focusing on carbon-intensive regions. Its main pillar is the JTF. The other two are credit guarantees to bring in private capital under the InvestEU 'Just Transition' scheme, and a public-sector loan facility to mobilise public investment.

## Allocations from the Just Transition Fund

The JTF has two priorities: diversifying economies to reduce their reliance on a single, polluting sector; and skills development for workers and the unemployed. The first priority will encourage the establishment of SMEs and fund their research and development activities. The three highest-priority categories, with their planned EU funding amounts, are: SME business development and internationalisation (2.5 billion euros); business infrastructure for SMEs (631.8 million euros); and business incubation, support to spin-offs/outs and start-ups (602.5 million euros). As Figure 4.16 shows, Romania, Poland and Germany are the three Member States that will benefit most from this funding.

Support for skills development and jobseekers has three priority areas: helping workers, firms and entrepreneurs adapt to change (792.7 million euros); access to employment (619.3 million euros); infrastructure for vocational education and training (554 million euros). This will benefit mainly Poland, Germany and France.

Other funding categories address youth employment (89 million euros), digital skills development (22.4 million euros) and equal



The Just Transition Fund is clearly no longer a satisfactory means of addressing the restructuring challenges faced by carbon-intensive regions

participation of women in the labour market (703,806 euros).

### Territorial just transition plans

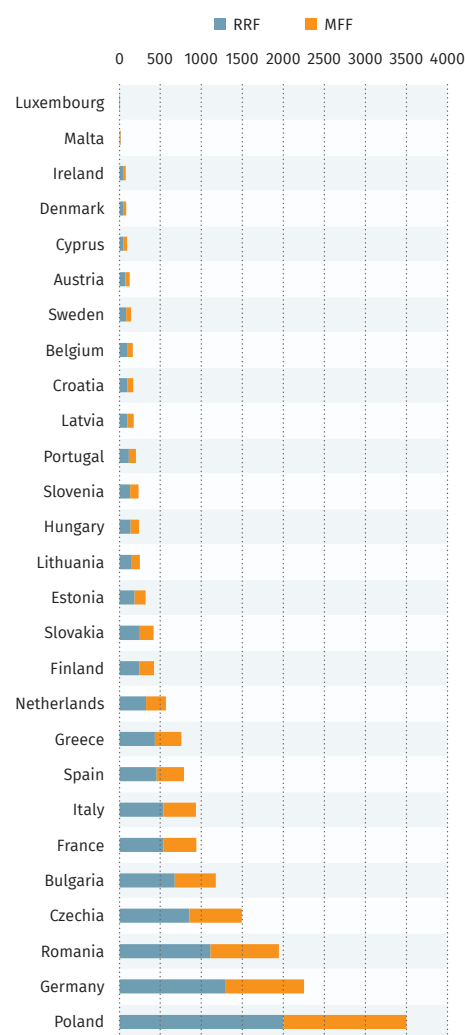
The areas where the JTF will be implemented are defined in ‘territorial just transition plans’, which are agreed during talks with the European Commission. A total of 67 plans covering 93 areas have been approved.

Each plan includes an analysis of the anticipated economic and social impacts of the green transition, such as job losses, and also of how pollution from production processes will be reduced.

Member States are under pressure to use the money quickly. A total of 70% of the total JTF allocation is concentrated in the first two annual tranches of the operational programmes through which the funding will be used, and these need to be spent by 2025 and 2026 respectively.

To be eligible for the funding allocated under the Just Transition Mechanism, EU Member States were required to negotiate territorial just transition plans for regions identified as likely to suffer negative socio-economic impacts from the transition to a carbon-neutral economy. This process lasted from the launch of the Just Transition Fund Regulation in June 2021 until the European Commission’s approval of the plans, which had to be completed by 31 December 2022. Apart from Germany, the main beneficiaries are mostly CEE Member States that have relatively low GDP per capita levels, higher carbon intensity and a higher concentration of affected regions. Even 20 years after the ‘big bang’ EU enlargement, their economic catch-up process is still ongoing – and the JTF is an instrument that will support their green transformation in this context. Here, we focus on them with further details. Of 11 CEE countries – Bulgaria, Croatia, Czechia, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia – 10 have had their territorial just transition plans approved (see examples in Box). Only Bulgaria continues to work on its plans, owing to ongoing political instability in the country.

Figure 4.16 Just Transition Fund allocations for Member States, with source of funding (million euros)



Source: EU Monitor (2021).



The two most vulnerable Member States, Romania and Bulgaria, are likely to be the ones that cannot fully secure their allocated funds

### Examples of spending within territorial just transition plans in selected CEE countries

Based on a study by Bankwatch (2023), CEE Member States secured the following funding through approved just transition territorial plans:

Czechia is to receive around 1.7 billion euros in funding. Of this total, 46% will be allocated to the Moravskoslezský region, 39% to the Ústecký and 15% to the Karlovarský.

Estonia is to receive around 354 million euros from the Just Transition Fund: projects to be financed include the construction of an industrial magnet factory in the eastern town of Narva.

Hungary expects a lump sum of 250.6 million euros for three regions, plus 10.4 million euros in technical assistance, while Latvia will receive a total of 191.6 million euros from the Just Transition Fund to support its transition to a carbon-neutral economy, mostly directed at its peat industry.

Poland has secured funds for four regions, allocated as follows: 2.138 billion euros for Upper Silesia, 581.5 million euros for Lower Silesia, 415 million euros for Eastern Wielkopolska and 370 million euros for the Łódź region – a total of 3.495 billion euros.

Just Transition Fund allocations for Romania cover six regions, with approximate figures of 196.7 million euros for Hunedoara, 200 million euros for Gorj, 153 million euros for Dolj, 144 million euros for Galati, 103 million euros for Prahova and 103 million euros for Mureş. The first two are coal regions and will receive the lion's share of the total funding approved by the European Commission – though, in fact, the total of 900 million euros secured is less than half of the original allocation.

For Slovakia, the allocation will be directed to three regions: 226 million euros for Upper Nitra (a coal region) and 214.9 million euros for two other carbon-intensive regions, while Slovenia will receive 258 million euros targeted at diversification in the SAŠA coal region.

Most CEE Member States have secured their original allocated resources through approval of their just transition plans. However, Romania has tapped into less than half, while Bulgaria struggles to secure any funding at all – so currently it seems that the two most vulnerable Member States are likely to be left behind.

A potential strength of the Just Transition Fund is that, overall, it targets the most vulnerable carbon-intensive regions by prioritising countries with the fewest resources and the least capacity: it helps them to design a national just transition plan, apply for funding and implement the relevant actions. Given the limited administrative capacity of local authorities in these regions, the success of the mechanism will ultimately rest on the quality of the services offered by the Just Transition Platform (and the European Investment Bank) in support of policy and project design.

On the negative side, the JTF has limited scope and funding. As an instrument designed by the European Commission, it focuses very narrowly on support for restructuring in carbon-intensive regions. The amount in the Fund has also been reduced – from the 40 billion euros originally proposed to 17.5 billion euros. In addition, the social partners are not adequately represented in the governance structure, and the template for territorial just transition plans (European Commission 2021c) lacks detailed requirements for social dialogue with unions and workers affected. There is also some concern that the funding allocation is not properly aligned with EU climate policy targets.

### National Recovery and Resilience Plans and the green transition

As required by the Recovery and Resilience Facility (RRF) Regulation, Member States are supposed to devote at least 37% of expenditures under their national recovery and resilience plans (NRRPs) to measures aimed at fulfilling green transition objectives. At EU level, 42% of the total resource allocation of 504.7 billion euros is devoted to green objectives and 27% to the digital economy (Bruegel 2023). The Bruegel database reveals that the proportion being spent on the green transition varies considerably among Member States, with the lowest levels in Latvia (37.2%) and Portugal (37.9%) and the highest – nearly 60% – in Denmark.

Under the green transition pillar of the RRF, this minimum requirement of 37% is translated into various investment and reform measures. Most planned RRF expenditures are for sustainable mobility (34%), energy efficiency (28%), and renewable energy and networks (17%). The implementation of NRRPs will, of course, unfold gradually and at differing speeds across the Member States: yet, across the EU as a whole, only 11% of the 2,598 milestones and/or targets

set for the 973 measures planned in NRRPs under the RRF's green transition pillar had been met by October 2023, according to official reports on the Recovery and Resilience Scoreboard.<sup>3</sup> This suggests that much more progress on the green transition is still to be expected in the years to come, as a result of the implementation of further green transition investment measures. Nevertheless, since spending is conditional on policy outputs rather than policy outcomes, it is not easy to gain a clear picture of the extent to which spending will meet the green objectives laid out in NRRPs.

Moreover, the relatively low fulfilment rate of green transition projects so far has meant that only a small part of the overall funds

available under the green transition pillar have been disbursed, with Member States receiving 14.1 billion euros as grants and 6.6 billion euros as loans. Nevertheless, despite the slow implementation of NRRPs, there have already been some significant achievements, such as savings in annual primary energy consumption (more than 22 million MWh per year), additional operational capacity for renewable energy (just over 1,000 MW additional capacity installed) and increased support to populations, with nearly 6 million people benefitting from measures to protect against floods, wildfires and other related environmental disasters, to mention just a few. Monitoring implementation and further progress will remain an important task.

---

3. See the page dedicated to the Recovery and Resilience Scoreboard: [https://ec.europa.eu/economy\\_finance/recovery-and-resilience-scoreboard/green.html](https://ec.europa.eu/economy_finance/recovery-and-resilience-scoreboard/green.html).

# Conclusions

With the effects of climate change already visible, the climate emergency demands urgent, decisive action. Our review of decarbonisation by Member State and by sector revealed widely diverse progress and showed that decarbonisation efforts need to be stepped up significantly, not only in the near future but also throughout the coming decades. This means that most of the transformation still lies ahead. Renewable energy generation in the EU has grown only sluggishly in recent years: while solar energy generation has expanded vigorously, growth in wind power has been slow – and declining hydro and nuclear power generation has resulted in near-stagnation of the clean energy sector. The EU is far short of where it needs to be if it is to reach the upgraded renewables target set by REPowerEU, and even though the general escape clause of the Stability and Growth Pact has been activated in recent years, an investment gap has appeared. However, the escape clause is set to be deactivated from 2024, with the result that EU fiscal rules will continue to present a barrier to much-needed clean energy investment. Nor will it help that the Recovery and Resilience Facility – the EU’s most innovative financial vehicle – will expire by the end of 2026. More than that, the EU is losing ground not only to China but also to the US, including in low-carbon manufacturing, where the EU’s position in global competition faces formidable challenges. A lot more needs to be done.

All this shows that the EU needs to significantly speed up the green transformation, not only in order to meet its climate policy targets but also to preserve European competence in key sectors. If climate policy ambition is eroded and if Europe lags behind in clean technology development and low-carbon manufacturing, with the possible loss of millions of jobs, the most devastating social effects will follow.

On the other hand, keeping ambitions high will also intensify the social effects of this transformation. This will be true for many different social impacts, including the effects of climate change and pollution, the differential distributional effects of climate policies, labour market change and the accessibility and affordability of low-carbon technologies. All these social aspects contain different dimensions of vulnerabilities that are often

cumulative and intersectional. In addition, the faster pace of climate change and the increase in related extreme weather events is also leading to various movements of population around the world: the EU is not immune to these climate-induced push factors of migration, which operate within Europe as well as from further afield, with implications for its internal and external policies.

It is true that, in the past five years, policy-makers have demonstrated more openness and sensitivity to the social dimension – abandoning flawed crisis management practices in the aftermath of the financial and euro area crises, proclaiming the European Pillar of Social Rights and, most recently, enacting the Adequate Minimum Wages Directive. These provide a helpful basis from which to tackle the social impacts of climate change and the green transition; however, specific policies to address these were developed only after the announcement of the European Green Deal in 2019: first the Just Transition Mechanism was established in 2020, then a Social Climate Fund, which will come into effect from 2026, was initiated in July 2021. The energy price and cost-of-living crisis has also prompted EU policy-makers to repurpose the Recovery and Resilience Facility (originally set up to deal with the effects of the Covid-19 pandemic) for the green transition. Here, we have given a brief outline of how these policy tools are working: they have started by addressing a number of specific issues, often with a narrow focus and limited resources, but, as new challenges emerge, their scope is being extended ad hoc – though without additional resources. For all its positive rhetoric and good intentions, this patchwork of policies is far from the holistic, comprehensive approach that was supposed to be the basic principle of just transition policies (see the ILO’s 2015 Guidelines for a just transition). What is more, the EU does not yet have any policy tools that would provide collective risk coverage for climate and extreme weather-related risks.

All this demonstrates that Europe not only needs to strengthen its ‘European Social Model’ but also needs to reshape it as an ‘Eco-Social Model’ – and this has to be the main message to be sent out to EU policy-makers ahead of the European parliamentary elections and a new Commission in 2024.



# References

- ACEA (2023) New car registrations: +9.2% in September; battery electric 14.8% market share, Press release, 20.10.2023. <https://www.acea.auto/pc-registrations/new-car-registrations-9-2-in-september-battery-electric-14-8-market-share/#:~:text=New%20EU%20car%20registrations%20by,choice%20for%20new%20car%20buyers>
- Akgüç M., Arabadjieva K. and Galgóczi B. (2022) Why the EU's patchy 'just transition' framework is not up to meeting its climate ambitions, Policy Brief 2022.06, ETUI. <https://www.etui.org/publications/why-eus-patchy-just-transition-framework-not-meeting-its-climate-ambitions>
- Akgüç M. and Kimbimbi F. (2023) ETUI Webinar on climate-induced migration, News, 20.02.2023. <https://www.etui.org/news/etui-webinar-climate-induced-migration>
- Baczynska G. (2023) Eleven EU countries urge 'great caution' in loosening state aid rules, Reuters, 14.02.2023. <https://www.reuters.com/world/europe/eleven-eu-countries-urge-great-caution-loosening-state-aid-rules-2023-02-14/>
- Bankwatch Network (2023) Mapping the road to a just transition in central and eastern Europe: an analysis of territorial just transition plans in 7 countries, Briefing, 25.09.2023. [https://bankwatch.org/wp-content/uploads/2023/09/2023\\_09\\_26\\_Mapping-the-road-to-a-just-transition-in-central-and-eastern-Europe.pdf](https://bankwatch.org/wp-content/uploads/2023/09/2023_09_26_Mapping-the-road-to-a-just-transition-in-central-and-eastern-Europe.pdf)
- Bounds A. and Fleming S. (2023) EU trade chief to push China on barriers to exports, Financial Times, 07.08.2023. <https://www.ft.com/content/23057678-fc62-42aa-93dc-dd1752f723d3>
- Bruegel (2023) European Union countries' recovery and resilience plans – dataset, <https://www.bruegel.org/dataset/european-union-countries-recovery-and-resilience-plans>
- Burzyński M., Deuster C., Docquier F. and de Melo J. (2022) Climate change, inequality, and human migration, *Journal of the European Economic Association*, 20 (3), 1145-1197, <https://doi.org/10.1093/jeea/jvab054>
- Clement V., Rigaud K.K., de Sherbinin A., Jones B., Adamo S., Schewe J., Sadiq N. and Shabahat E. (2021) Groundswell part 2: acting on internal climate migration, World Bank. <http://hdl.handle.net/10986/36248>
- Copernicus (2023) European state of the climate 2022. <https://climate.copernicus.eu/esotc/2022>
- Czaika M. and Münz R. (2022) Climate change, displacement, mobility and migration: the state of evidence, future scenarios, policy options, Research overview 2022:9, DELMI. <https://www.delmi.se/en/publications/research-overview-2022-9-climat-change-and-migration/>
- EEA (2023) Drought impact on ecosystems in Europe. <https://www.eea.europa.eu/en/analysis/indicators/drought-impact-on-ecosystems-in-europe#:~:text=In%202022%2C%20Europe%20experienced%20its,area%20between%202000%20and%202022.>
- EU Monitor (2021) Annexes to COM(2020)22 - Just Transition Fund. [https://www.eumonitor.eu/9353000/1/j4nvirkkr58fyw\\_j9vvik7m1c3gyxp/vl5bgb7s1szs](https://www.eumonitor.eu/9353000/1/j4nvirkkr58fyw_j9vvik7m1c3gyxp/vl5bgb7s1szs)
- European Commission (2021a) Communication from the Commission to the European Parliament, The Council, The European Central Bank, The European Economic and Social Committee, The Committee of the Regions, The EU economy after COVID-19: implications for economic governance, COM(2021) 662 final, 19.10.2021. <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52021DC0662>
- European Commission (2021b) European Network of Public Employment Services, Greening of the labour market – impacts for the Public Employment Services- small scale study, Publications Office of the European Union. <https://data.europa.eu/doi/10.2767/558712>
- European Commission (2021c) Regulation (EU) of the European Parliament and of the Council of 24 June 2021 establishing the Just Transition Fund, PE/5/2021/REV/1, Official Journal of the European Union, L 231, 30.06. 2021. <http://data.europa.eu/eli/reg/2021/1056/oj>
- European Commission (2022a) REPowerEU: Affordable, secure and sustainable energy. [https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal/repowereu-affordable-secure-and-sustainable-energy-europe\\_en](https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal/repowereu-affordable-secure-and-sustainable-energy-europe_en)
- European Commission (2022b) Commission Staff working document. Implementing the Repower EU Action Plan: investment needs, hydrogen accelerator and achieving the bio-methane targets, SWD(2022) 230 final, 18.05.2022. <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52022SC0230&from=EN>
- European Commission (2023a) Communication from the Commission to the European Parliament, The European Council, The Council, The European Economic and Social Committee and the Committee of the Regions. A Green Deal Industrial Plan for the Net-Zero Age, COM(2023) 62 final, 01.02.2023. [https://commission.europa.eu/document/41514677-9598-4d89-a572-abe21cb037f4\\_en](https://commission.europa.eu/document/41514677-9598-4d89-a572-abe21cb037f4_en)

- European Commission (2023b) Proposal for a regulation of the European Parliament and of the Council establishing a framework for ensuring a secure and sustainable supply of critical raw materials and amending Regulations (EU) 168/2013, (EU) 2018/858, 2018/1724 and (EU) 2019/102, COM(2023) 360 final, 16.03.2023. [https://single-market-economy.ec.europa.eu/publications/european-critical-raw-materials-act\\_en](https://single-market-economy.ec.europa.eu/publications/european-critical-raw-materials-act_en)
- European Commission (2023c) EU budget: Commission proposes Strategic Technologies for Europe Platform (STEP) to support European leadership on critical technologies, Press release, 20.06.2023. [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_23\\_3364](https://ec.europa.eu/commission/presscorner/detail/en/ip_23_3364)
- European Union (2022) Council Regulation (EU) 2022/1369 of 5 August 2022 on coordinated demand-reduction measures for gas, ST/11568/2022/INIT, Official Journal of the European Union, L 206, 08.08.2022, 1-10. <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32022R1369>
- Eurostat (2023a) Statistics explained – Climate change driving forces. [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Climate\\_change\\_-\\_driving\\_forces](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Climate_change_-_driving_forces)
- Eurostat (2023b) Statistics explained – Natural gas supply statistics. [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Natural\\_gas\\_supply\\_statistics](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Natural_gas_supply_statistics)
- Eurostat (2023c) Preliminary 2022 data for energy show mixed trends, Eurostat, 05.07.2023. <https://ec.europa.eu/eurostat/web/products-eurostat-news/w/ddn-20230705-2>
- Eurostat (2023d) Inability to keep home adequately warm - EU SILC survey. [https://ec.europa.eu/eurostat/databrowser/view/ILC\\_MDES01/default/table?lang=en](https://ec.europa.eu/eurostat/databrowser/view/ILC_MDES01/default/table?lang=en)
- Eurostat (2023e) Environmental economy – statistics on employment and growth. Statistics explained. [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Environmental\\_economy\\_%E2%80%93\\_statistics\\_on\\_employment\\_and\\_growth](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Environmental_economy_%E2%80%93_statistics_on_employment_and_growth)
- Galgóczi B. (2020) The path to 'zero carbon' in a post-Covid-19 world, in ETUC/ETUI (2020) Benchmarking Working Europe 2020, ETUI, 75-94.
- Galgóczi B. (ed.) (2023) Response measures to the energy crisis: policy targeting and climate trade-offs, ETUI.
- Galgóczi B. and Akgüç M. (2023) Europe's energy crisis: stress test for both the European Green Deal and the European Social Model, in Countouris N., Piasna A. and Theodoropoulou S. (eds.) (2023) Benchmarking Working Europe 2023, ETUI, 99-119.
- IEA (2022) Renewable electricity share in main case vs REPowerEU objective, 2020-2030, IEA, 23.11.2023. <https://www.iea.org/data-and-statistics/charts/renewable-electricity-share-in-main-case-vs-repowereu-objective-2020-2030>
- ILO (2015) Guidelines for a just transition towards environmentally sustainable economies and societies for all, ILO. [https://www.ilo.org/wcmsp5/groups/public/---ed\\_emp/---emp\\_ent/documents/publication/wcms\\_432859.pdf](https://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/documents/publication/wcms_432859.pdf)
- ILO (2023) Record of proceedings 7A. Outcome of the General Discussion Committee on a Just Transition. [https://www.ilo.org/wcmsp5/groups/public/---ed\\_norm/---relconf/documents/meetingdocument/wcms\\_885375.pdf](https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_885375.pdf)
- Irena (2023a) World energy transitions outlook 2023: 1.5°C pathway?, IRENA. <https://www.irena.org/Publications/2023/Jun/World-Energy-Transitions-Outlook-2023>
- Irena (2023b) Renewable capacity statistics 2023, IRENA. <https://www.irena.org/Publications/2023/Mar/Renewable-capacity-statistics-2023>
- Jasper J. (2023) China's share of Europe electric car market accelerates as UK leads sales, The Guardian, 04.09.2023. <https://www.theguardian.com/business/2023/sep/04/china-europe-electric-car-market-uk-sales-mg-tesla>
- Lee J. (2023) Beauty and the beast – implications of the US-China tech war on climate and energy, Atlantic Council, 06.03.2023. <https://www.atlanticcouncil.org/blogs/energysource/beauty-and-the-beast-implications-of-the-us-china-tech-war-on-climate-and-energy/>
- NEF (2023) Beyond the bottom line. How green industrial policy can drive economic change and speed up climate action, New Economics Foundation. <https://neweconomics.org/uploads/files/Beyond-the-Bottom-Line-web-v1.pdf>
- O\*NET (n.d.) Green occupations, Resource Center. [https://www.onetcenter.org/dictionary/22.0/excel/green\\_occupations.html](https://www.onetcenter.org/dictionary/22.0/excel/green_occupations.html)
- OECD (2023) Job creation and local economic development 2023 - Bridging the Great Green Divide, OECD Publishing. <https://www.oecd.org/publications/job-creation-and-local-economic-development-26174979.htm>
- Romei V. (2023) The EU struggles to 'de-risk' trade with China, Financial Times, 08.08.2023. <https://www.ft.com/content/47d121d0-00d5-4308-b68f-da29b99616a2>
- Schmidt M. (2023) Market update – Every fifth new BEV in W-Europe this year was manufactured in China, Schmidt Automobile Research, 28.09.2023. <https://www.schmidtmatthias.de/post/market-update-every-fifth-new-bev-in-w-europe-this-year-is-manufactured-in-china>
- Schulz F. (2020) Germany begins allocating 40 billion Euros to coal regions to start phase-out, Euractiv, 31.08.2020. <https://www.euractiv.com/section/energy/news/germany-begins-allocating-e40-billion-to-coal-regions-to-start-phase-out/>

- Sgaravatti G., Tagliapietra S., Trasi C. and Zachmann G. (2023) National fiscal policy responses to the energy crisis, Bruegel Datasets, 26.03.2023. <https://www.bruegel.org/dataset/national-policies-shield-consumers-rising-energy-prices>
- van Halm I. (2023) Europe: renewables in 2022 in five charts – and what to expect in 2023, Energy Monitor, 31.01.2023. <https://www.energymonitor.ai/tech/renewables/europe-renewables-in-2022-in-five-charts-and-what-to-expect-in-2023/?cf-view>
- UNEP (2018) Green Jobs: Towards Sustainable Work in a Low-Carbon World. <https://www.unep.org/resources/report/green-jobs-towards-sustainable-work-low-carbon-world>
- WMO (2023) Climate change impacts scar Europe, but increase in renewables signals hope for future, Joint Press releases, 19.06.2023. <https://climate.copernicus.eu/climate-change-impacts-scar-europe-increase-renewables-signals-hope-future>
- Zeniewski P., Molnar G. and Hugues P. (2023) Europe's energy crisis: what factors drove the record fall in natural gas demand in 2022? IEA commentary, 14.03.2023. <https://www.iea.org/commentaries/europe-s-energy-crisis-what-factors-drove-the-record-fall-in-natural-gas-demand-in-2022>

All links were checked on 06.02.2024

# 5. The state of democracy at work in the EU: institutions at the company level



Sara  
Lafuente



Jane  
Parker



Sigurt  
Vitols

Cite this chapter: Lafuente S., Parker J. and Vitols S. (2024) The state of democracy at work in the EU: institutions at the company level, in Piasna A. and Theodoropoulou S. (eds.) (2024) Benchmarking Working Europe 2024, ETUI and ETUC.

## Topics

Introduction	143
Worker participation: still unequal after 20 years	144
European Works Councils: impacts and challenges	145
Board-level employee representation in the spotlight	150
Worker participation and sustainability reporting	154
Conclusions	156



EU social policy has  
reached a crossroads  
in terms of worker participation

**Sara Lafuente, Jane Parker and Sigurt Vitols**

# Introduction

This chapter takes stock of worker participation rights and institutions at the company level in Europe from both legal and empirical perspectives. It shows how the recent ‘social’ turn in EU policy (Crespy 2019; Pochet 2019) has affected worker participation at the company level in various and ambiguous ways, and why worker rights should be extended and strengthened if Europe is to build a sustainable, innovative and democratic economy and society amid global competition and overlapping crises.

Worker participation in Europe has regained political momentum in recent years, a process driven by renewed debates on workplace democracy in both academic and policy circles (Hyman 2016, De Spiegelaere et al. 2019, Frega et al. 2019, Ferreras et al. 2020) and predating the apparent ‘social’ reorientation of EU policy. Clear examples are found in the European Parliament’s (2021) report on democracy at work, the 2023 exploratory opinion on democracy at work by the European Economic and Social Committee (EESC) and, most recently (2023), the conclusions of the Council of the EU on more democracy at work and green collective bargaining for decent work and sustainable and inclusive growth. While the EU acquis on worker participation rights at the company level was already significant in terms of the array of directives that were fostered and transposed into national law (Hoffmann et al. 2017), new directives have been approved since 2019, securing or furthering workers’ collective voice at the company level (e.g. the Corporate Sustainability Reporting Directive (2022/2464/EU)). Moreover others are in the pipeline (e.g. the revision of the European Works Council (EWC) Directive (2009/38/EC)). Yet, despite these regulatory developments, a country comparison following 20 years of EU enlargement reveals ongoing, pervasive differences in terms of worker participation rights between countries that accessed the EU previous to the biggest enlargement of 2004 (pre-2004 countries) and those that joined in 2004 or after (post-2004 countries), with upward convergence remains a challenge. It is uncertain how these good intentions will further develop, and we are thus at a ‘critical juncture’ in Europe for democracy at work.

The chapter is structured as follows. The first section assesses worker participation institutions across EU countries based on a recent update of the European Participation Index (EPI) and compares pre-2004 and post-2004 countries. Focusing on more specific dimensions of worker participation, the second section examines EWC practice in the context of the debate on the revision of the EWC Recast Directive. Based on a literature review and empirical and legal research by the ETUI, it highlights critical problems that arise from the use of confidentiality provisions enshrined in national law and their impact on EWC activity. Issues such as a lack of adequate sanctions and varying degrees of legal manoeuvrability for EWCs are also addressed in a comparative analysis, the findings of which underline the positive effects that EWCs may have in terms of improving social and environmental performance. A third section examines the potential implications for board-level employee representation (BLER) of cross-border corporate mobility and recent European Court of Justice (CJEU) judgments, in particular of Case C-677/20 (*IG Metall and ver.di vs. SAP SE*) for the Europeanisation of trade union mandates in SE supervisory boards. This section is based on extant studies, legal assessments and data analyses of the ETUI cross-border mobility database, the Capital IQ platform and the provisions of SE agreements concerning BLER. A final section highlights the potential of the recent Corporate Sustainability Reporting Directive in terms of developing additional worker participation rights.

The overall message that emerges from this enquiry is that EU social policy has reached a crossroads in terms of worker participation. While the narrative and some developments seem to support EU worker participation rights at different levels, various challenges remain and will require specific responses in the coming EU legislative period.

# Worker participation: still unequal after 20 years

“ 20 years after enlargement began, major gaps still exist between worker participation arrangements in the ‘post-2004’ and ‘pre-2004’ EU Member States

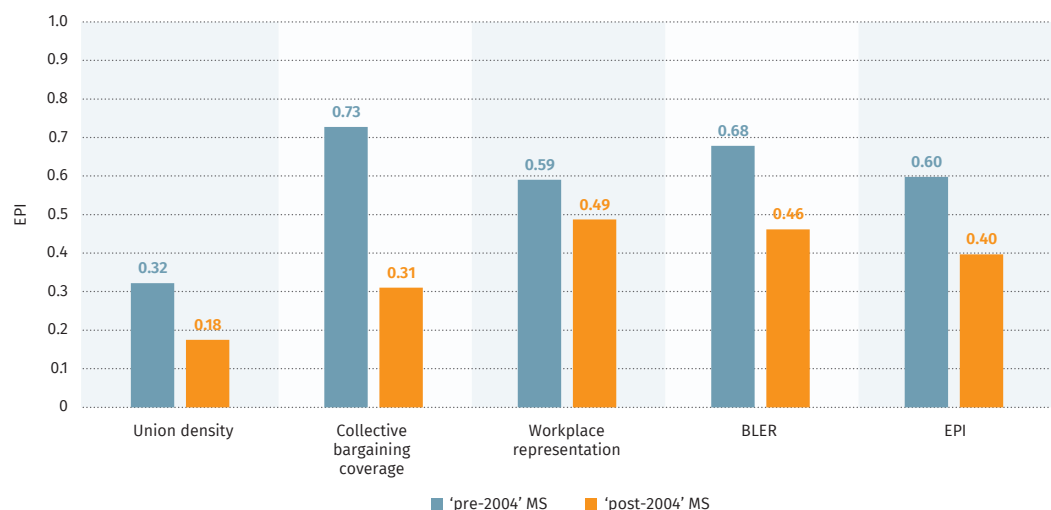
The EU labour law *acquis* contains strong commitments to support for worker participation. In theory, we would expect to see a substantial strengthening of information, consultation and participation rights for workers in the countries that have joined the EU since 2004. Yet, even 20 years after enlargement began, major gaps still exist between worker participation arrangements in the ‘post-2004’ and ‘pre-2004’ EU Member States. This conclusion has been reached from an analysis of the ETUI’s EPI and its components in the 14 EU Member States that joined before 2004 and the 13 countries that became Member States in 2004, 2007 and 2013.

The EPI, developed by researchers at the ETUI, is a country-level indicator of worker participation rights. Given the variety of industrial relations systems in different countries, it includes components that measure the various levels and key mechanisms through which ‘workers’ voice’ can be institutionally exercised: trade union representation in collective bargaining, workplace representation and BLER. Each component is awarded a score between 0 and 1 for each country, and the overall EPI is calculated as the weighted average of these components. Previous editions of *Benchmarking Working Europe* showed a strong association between the strength of the EPI and various outcomes, for example, a negative relationship between low levels of participation and income inequality and a positive association between labour force participation rates and

research and development (R&D). Inequality between ‘pre-2004’ and ‘post-2004’ countries can be seen for each of the EPI components. Data analysis for 2019 reveals that the variation is most pronounced for components that specifically apply to trade unions and their role in collective bargaining (see Figure 5.1). In ‘pre-2004’ countries, trade union membership as a percentage of workers (‘union density’) is, on average, only slightly more than half that recorded for ‘post-2004’ countries (0.18 versus 0.32). Collective bargaining coverage (i.e. the percentage of workers whose working conditions are determined at least in part by a collective agreement) is less than half the level in ‘post-2004’ countries that it is in ‘pre-2004’ countries (0.31 vs. 0.73). The differences are smaller but still notable in terms of representation at the workplace level (0.49 vs. 0.59) and BLER rights (0.46 vs. 0.68). The overall EPI average is about 50% higher in the ‘pre-2004’ countries (0.60) than in the ‘post-2004’ countries (0.40).

Analysis of the EPI and its components also reveals that many workers in the EU lack representation along one or more of the dimensions of ‘worker voice’. Moreover, this weakness is more pronounced in ‘post-2004’ Member States, particularly where trade union membership and collective bargaining representation are concerned (see also Chapter 3 in this volume), underscoring the need for trade union renewal strategies and legislative support for worker participation at both the national and EU level.

Figure 5.1 European Participation Index and its components, by ‘pre-’ and ‘post-2004’ EU Member States



Source: Vitols' analysis on the basis of 2023 EPI data.

# European Works Councils: impacts and challenges

## Confidentiality issues for EWCs

European Works Councils (EWCs) remain the flagship institution of worker participation at European level, since the EWC Directive (94/95/EC) introduced these bodies to ensure transnational information, consultation and worker representation in multinational companies which have over 1,000 employees and which operate in more than two EU Member States, with at least 150 employees in each. However, the significance of confidentiality of information at work is highlighted in part its abuse, which can obstruct effective information and consultation (I&C) and EWCs' relations with other workplace representatives (e.g. Kiss-Gálfalvi et al. 2022; European Parliament 2023).

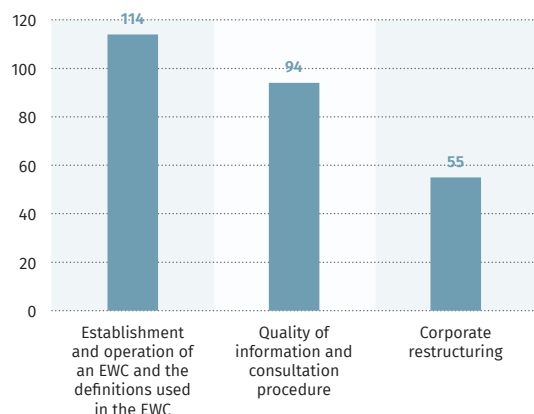
ETUI research by Rasnača and Jagodziński (forthcoming) compares legal frameworks for confidentiality across 10 EU Member States between 2017 and 2018. It is observed that, in most countries, the task of designating confidential information and the choices around which information is not to be shared with workers' representatives lie largely with management. Tracing the developments of EWCs between two surveys in 2007 and 2018, De Spiegelaere et al. (2022) found that EWCs still function primarily as information rather than as consultation bodies, receiving considerable but selective information. Material on critical issues is frequently inaccessible, with managers commonly citing stock market regulation constraints for non-compliance with legislation.

Furthermore, confidentiality clauses are regularly invoked and misused for objectively non-confidential matters to diminish information sharing, sometimes even before an EWC has been established or in such a way as to hinder its establishment (Huybrechts 2021). Indeed, the timing of information release is crucial, yet EWCs are often presented with a 'fait accompli', especially when a transnational company undergoes restructuring, despite the intended role of EWCs in restructuring under the EWC Recast Directive (2009/38/EC) and despite the fact that we live in a digital era that requires stronger EWC tools. Most EWC representatives also perceive plenary and extraordinary

meetings to be inadequate venues at which to address restructuring challenges reliably (De Spiegelaere et al. 2022).

Regarding sanctions, EWC members who break confidentiality rules face fines, imprisonment or internal disciplinary measures in many countries, although no court cases are known to have been brought successfully against an EWC representative (Rasnača and Jagodziński forthcoming). Court rulings exist on managerial abuse of confidentiality, including in relation to restructuring and redundancies. However, the sanctions included in recital 36 of the Recast Directive's Preamble (rather than in its operative parts) have proven insufficient for ensuring managerial compliance. Nevertheless, the ETUI's EWC jurisprudence database has collected several court rulings on managerial abuse of confidentiality (e.g. in Spain, a court discerned that dismissing an EWC member for sharing information about planned collective redundancies with his local works council was a violation of freedom of association. In a UK case, a court dismissed an employer's claim that client confidentiality prevented it from fulfilling the obligation to provide information needed to set up an EWC). Furthermore, of 129 EWC court cases in the EU between 1997 and 2022, most concerned the quality of I&C procedures or corporate restructuring – both matters in which confidentiality considerations often feature (see Figure 5.2).

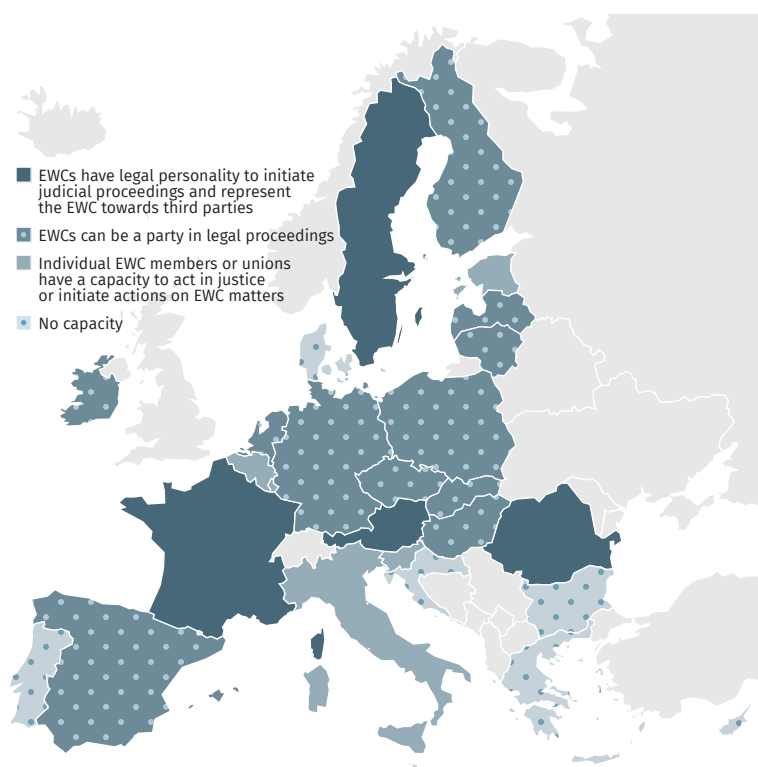
Figure 5.2 Topics of EWC-instigated court cases for the period 1997-2022



Note: N=129  
Source: De Spiegelaere et al. (2022: 227) using 2018 ETUI data from EWC representatives.



Figure 5.3 EWC capacity in legal proceedings



Source: adapted from European Commission (2023), which cites European Centre of Expertise Network (ECE) data from November 2017.

In most Member States, an EWC rather than one of its individual members can go to court (or seek redress before an equivalent body) to challenge an imposed duty of confidentiality. Generally, however, the capacity of EWCs to seek legal redress is limited (see Figure 5.3). Another commonality between countries is the continuing duty of non-disclosure incumbent upon representatives of EWCs and other work representation bodies after their functions expire, unless a different confidentiality period is determined by the central management (Parker forthcoming).

“  
Where there are no strong structures, EWCs often become subordinate to management

### Contextualised differences in confidentiality approaches

Member States’ varying emphasis on EWCs, trade unions and/or works councils as forms of worker representation, and the interdependencies between them, have implications for confidentiality. Where there are no strong structures, EWCs often become subordinate to management, making consultation a mere formality limited to the minimum required by EU and national law. In Hungary, for instance, where unions and works councils co-exist, members of the special negotiating body (SNB) for the EWC are appointed by the works council or central works council, where one exists, as

the employer has only I&C obligations towards works councils. However, more than half (58.9%) of EWC representatives responding to the 2018 EWC survey reported the presence of an EWC coordinator in their EWC (De Spiegelaere et al. 2022), suggesting growing union influence, as EWC coordinators are usually selected by European Trade Union Federations (ETUFs).

Countries also vary in terms of the extent to which the definition of confidentiality is ‘employer-led’, as is the case, for instance, in Hungary, Poland, Slovenia and the UK (now not an EU Member State but relevant here given its transposition of European I&C legislation) (see Table 5.1). Of these countries, all but the UK are in central and eastern Europe. Furthermore, most are liberal market economies (LMEs) (Pulignano and Turk 2016), though some categorise Hungary, Poland and Slovenia as emerging market economies (EMEs) (e.g. De Spiegelaere et al. 2022). According to Hall and Soskice (2001) and the subsequent refinement of their ‘varieties of capitalism’ typology, LMEs reflect a relatively decentralised system of industrial relations, with collective bargaining occurring at enterprise or workplace level, while EMEs are economies in the process of development and sit between developing and highly developed economies. Coordinated market economies (CMEs) rely on non-market forms of interaction between economic actors and stronger institutions in their models of industrial relations, from the social partnership approaches of central western European countries like Belgium, Germany and the Netherlands, to the organised corporatism typical in Nordic countries such as Sweden and Finland (Nordic CMEs). The southern European countries, including Italy and France, generally fit within a mixed market economy (MME) category, where strong state intervention combines with market dynamics.

The 2018 ETUI survey, involving 1,520 EWC representatives across the EU, found that they perceived managers attending EWC meetings in MNCs headquartered in MMEs as most likely (42.9%) to withhold information on confidentiality grounds, compared to those in LMEs (41.1%), CMEs (37.4%) and the Nordics (37.1%). Representatives from LMEs and MMEs are also more likely to feel limited in reporting back to those whom they represent due to confidentiality concerns (De Spiegelaere et al. 2022). In some Member States, confidentiality constraints may furthermore be extended in legal terms to cover not only EWCs, but also national and local worker representatives. There are thus ‘different expectations among EWC representatives regarding confidentiality

Table 5.1 National confidentiality frameworks

Country	Country clusters by economy type	Employer-dominated confidentiality definition	Cooperative/bargained confidentiality definition	Statutory definition of confidentiality
Belgium	CME			X <sup>1,2</sup>
Finland	Nordic <sup>3</sup> /CME <sup>4</sup>		X	X <sup>1</sup>
France	MME		X	X
Germany	CME			X
Hungary	EME <sup>3</sup> /LME <sup>4</sup>	X		X
Italy	MME		X	X
Netherlands	CME			X
Poland	EME <sup>3</sup> /LME <sup>4</sup>	X		X
Slovenia	EME <sup>3</sup> /CME <sup>4</sup>	X		X
Sweden	Nordic <sup>3</sup> /CME <sup>4</sup>		X	
United Kingdom	LME	X		X

Notes:

<sup>1</sup> These countries have confidentiality rules specific to EWCs.

<sup>2</sup> Beyond EWC and SE works council members, confidentiality mainly concerns union representation at the establishment level, with no specific provisions related to confidentiality and secrecy applicable to the union delegation.

Unless specified, these categories are employed by <sup>3</sup> De Spiegelaere et al. (2022) or <sup>4</sup> Pulignano and Turk (2016).

Source: adapted from Rasnača and Jagodziński (forthcoming) and Parker (forthcoming).

and/or differences in the perception of national confidentiality regimes' (De Spiegelaere et al. 2022: 206). What is more, in most countries, the general approach to confidentiality is complemented by special rules for certain areas (e.g. company or competition law in merger cases); worker groups (e.g. stricter confidentiality rules typically applicable in the public sector); and worker representation bodies (e.g. EWCs, health and safety representatives). Rasnača and Jagodziński (forthcoming) also report that some of these 'special regimes' are triggered by certain EU-level rules (e.g. the EWC Recast Directive or the Market Abuse Regulation (Regulation (EU) No. 596/2014)).

Other features of EWCs also help to explain the various ways of handling confidentiality. As well as members' unionisation, recital 20 of the Recast Directive stipulates that Member States should determine who the employees' representatives are, with regard to gender, age and nationality if deemed appropriate. Most ETUFs advocate using formulae by means of which the number of EWC representatives from that country is determined on the basis of workforce size in that country - also laid down as a determining criterion by the EWC Directive fallback rules - and additional measures are usually introduced to help ensure representativeness. While the 2018 ETUI survey found a broad correspondence between EWC numbers from the individual EU countries and country size, the 'average' EWC representative has changed little since the 2007 survey, being male, aged 50, unionised and representing

workers at five sites (De Spiegelaere et al. 2022). In total, 23.2% of EWC respondents are home-country representatives for their MNC, while 76.8% are foreign representatives. The former are likely to be more familiar with home-country managerial practices (including those around confidentiality) and to have more contact with central management than their counterparts from other countries. Furthermore, while managers generally regarded practice as superior to the content of EWC agreements (Pulignano and Turk 2016), 22.2% of surveyed EWC representatives perceived the reverse, and another 21.0% (over half of whom had held their role as representative for only a short time) were unsure. By extension, the latter are unlikely to instigate action to improve practice relative to the content of the agreement (De Spiegelaere et al. 2022) - which is likely to include confidentiality matters.

Five rounds of EU enlargement have taken place since the adoption of Directive 94/95/EC. While a growing proportion of EWC representatives come from central or eastern Europe, most still hail from (south-)western European and Nordic countries (see De Spiegelaere et al. 2022), with implications for the representation and cultural aspects of EWC engagement with management and other workplace worker representation bodies over matters relating to confidentiality. Additionally, EWC court cases are concentrated in the three countries with the largest number of EWCs operating under transposed provisions (France, Germany and the UK). The disproportionately high number of cases pursued in the French courts may reflect variations in the emphasis placed by different nations on adversarial and cooperative approaches to industrial relations, and in the level and nature of the advice offered by unions to EWC representatives (De Spiegelaere et al. 2022).

Most managers are not antagonistic toward EWCs, but instead see them as 'adding value' to human resources management (HRM) or as 'malleable tools' to promote managerial objectives (Pulignano and Waddington 2020; Pulignano and Turk 2016) rather than as a means of fostering EWC influence over corporate strategy development and the legal entitlement of workers to transnational I&C, as intended by the EWC Directive. The fact that many do not comply with the I&C requirements of legislation (De Spiegelaere et al. 2022) is also attributable to undue withholding or confidentialisation of information, and to constraints on the scope of an EWC's competence. Indeed, the effective use of information exchange and consultation depends largely on EWCs and their relations

with other worker representation bodies. The withholding of information and over-use of confidentiality provisions affect these relations, contributing to lower-quality I&C processes and, by extension, inhibiting workplace democracy, worker participation and worker empowerment.

## **EWCs align with better social performance**

As noted, most managers see EWCs as functional to their needs, but some still fear that EWCs and other channels for workers' voice might hamper productivity or performance – a concern highlighted in current debates over the revision of the EWC Directive – while supporters of strengthened rights stress the positive contribution that EWCs can make to social dialogue and sustainability.

However, a new ETUI analysis of the profitability and sustainability scores of large EU companies shows that having an EWC does not impair profitability. A quantitative analysis of the STOXX600 (the 600 largest European-listed companies) between 2018 and 2022 shows that neither return on equity (ROE) nor return on assets (ROA) are significantly lower in companies with an EWC compared to companies without one. This panel analysis controlled for other factors which might affect profitability, including revenue, main sector of activity, home country, company age and shareholding structure. Financial companies were excluded, as their financial structure is significantly different to other types of companies. Neither the differences in ROE nor the differences in ROA were significant, even at the 0.1 level. This result is consistent with a previous ETUI study that tested the correlation between EWCs and social welfare impact (Vitols 2009). Financial data were obtained in 2023 from Capital IQ and the list of companies with EWCs from the ETUI EWC database (ETUI 2023a).

Furthermore, for the same sample of companies and based on sustainability data from Refinitiv for 2021 and 2022, companies with EWCs scored significantly higher on both overall environmental indicators and overall social indicators than companies without an EWC, confirming previous ETUI research into EWCs and company performance (Vitols 2009; Clauwaert et al. 2016). The same control factors were included as for the analysis of profitability (see above), and financial firms were excluded. This analysis thus supports the view that companies with EWCs have better social and environmental

performance but do not suffer in terms of competitiveness.

## **Revision of the EWC Directive and other policy implications**

As our analysis indicates, current EU legislation has proven insufficient to dissuade management from abusing confidentiality obligations or to encourage other claims by EWCs. The ETUC's reform agenda (2017) emphasises measures such as upscaling and widening binding legal sanctions and improving access to justice for EWCs to generate greater compliance, coupled with efficient appeal procedures that are still absent in most Member States (Hoffmann and Jagodziński, forthcoming). Full monitoring and control of the varying quality of national transposing provisions establishing the sanctions under Article 11 must also be addressed.

Ambiguity around the legal status of EWCs and SNBs in relation to MNCs, accentuating limits to the pursuit of legal redress (Jagodziński and Lorber 2015), has furthermore seen the ETUC and ETUFs seek clarification with a view to launching litigation more readily against MNCs over non-compliant management. Transparent definitions of 'confidentiality' and 'transnational' may mitigate managers' use of these terms to restrict EWCs' agendas, limit their effectiveness and exert undue influence over the operation of EWC legislation; the concept of the 'transnational character of a matter' should also be moved to the main body of the Directive. A right for union experts to participate in all EWC and Select Committee meetings and to access all sites is needed to support and synchronise an EWC's work. A stronger definition of 'consultation' is also required (under Article 2.1.g) so that an EWC's opinion will be fully considered by management.

At the ETUC EWC Conference in October 2023, and following two rounds of consultation with the social partners, unions welcomed the contribution by Nicolas Schmit (European Commissioner for Jobs and Social Rights) signalling a possible legislative response by early 2024 to challenges concerning imprecise and incoherent I&C frameworks. This would include the pursuit of a single approach to consultation methods, the effective setting-up of EWCs, more equal gender representation on EWCs and appropriate resourcing to address I&C challenges. Augmented efforts by union organisations to coordinate EWCs with other worker representatives at all levels,

promote union involvement and provide EWC representatives with comprehensive training – in conjunction with the actions of European policy-makers – could also redress a power imbalance in relation to managers' use of confidentiality provisions, the scoping of transnational issues and resources. More widely, the European Parliament's resolution of 2 February 2023 calls on the European Commission to revise the Recast with regard to various EU legal acts (e.g. the Whistleblower Protection Directive (EU) 2019/1937 and the Protection of Trade Secrets Directive (EU) 2016/943).

Notwithstanding country differences, the importance of upward convergence from

minimum workplace confidentiality standards across an enlarging EU is highlighted by the push among unions and representatives for clarity on the grounds and circumstances under which information can be withheld and the length of time during which it can be withheld, and for the extension of the Directive's scope to cover voluntary agreements (ETUC 2017). The confidentiality provisions of the EWC Directive also need to be understood in relation to other relevant pieces of legislation in order to assist the efforts of EWCs and other workplace instruments in relation to workplace confidentiality arrangements.

# Board-level employee representation in the spotlight

## Cross-border conversions: escaping codetermination?

Cross-border corporate conversions (CBCs) – involving a company moving to another country and adopting a corporate form of that other country while retaining its legal personality – have been assessed as entailing potential risks in terms of regime shopping, affecting BLER in particular (Sick and Pütz 2011), but also other collective labour rights governed by the law of a company’s country of incorporation. Compared with SEs or cross-border mergers, information on CBCs has been the less available to examine the potential implications of EU corporate mobility for existing national codetermination systems. However, the macroeconomic data available for CBCs in the Cross-border company mobility database (ETUI 2023b) do not allow a generalised regime-shopping effect now to be identified, which may signal that BLER is not a determining factor when companies move across borders in Europe.

Mandatory BLER rights for the private sector do not, in fact, exist in all Member States (Fulton 2022; Lafuente forthcoming), so they can be lost or weakened when a company moves its seat from one country with strong BLER rights to another without, or with weaker, rights. Yet CBCs could potentially also lead to the spread of codetermination rights and an increased coverage if a company were to move from a country without codetermination to one that grants BLER rights, or has better or more inclusive regulations in that regard (Lafuente 2023). Finally, CBCs may not show any visible effects from the perspective of codetermination as a result of regime-hopping.

A source of data that can be used to gauge these possibilities and identify some potential effects is the ETUI cross-border company mobility database (ETUI 2023b), which systematically collects data on CBCs by country and identifies inward and outward cases according to national registries and the Orbis corporate database (Biermeyer and Meyer-Erdmann 2021). The potential cumulative effects for 2019 to 2022

can be estimated by comparing results for two country categories: the ‘BLER countries’ category includes 10 Member States with CBCs registered over that period and mandatory board-level codetermination in the private sector (i.e. Austria, Slovakia, Germany, Denmark, Hungary, Finland, France, Czechia, Luxembourg and Sweden), while the ‘non-BLER countries’ category includes 13 Member States that registered at least one CBC over the period but had no mandatory rights in the private sector (i.e. Bulgaria, Portugal, Romania, Belgium, Cyprus, Ireland, Poland, Italy, Spain, the Netherlands and Malta, plus the UK – a Member State at the time – and Liechtenstein).

However, employee numbers could too often not be collected in the database, and other relevant criteria which determine whether or not a company falls under the scope and thresholds of mandatory national codetermination rules, and which can vary enormously, are not collected. Furthermore, information is not available on whether or not BLER was actually in place before and after the CBCs, or on the origin and destination of each conversion case, since a new incorporation in a Member State does not necessarily indicate where the case came from; vice versa, a case registered as moving out of a country does not indicate where it moved to, which could be outside the EU. An analysis of corporate reports from 2019 allowed only four cases to be identified as potentially relevant for BLER rights, although the number could be higher. Following the transposition of Directive (EU) 2019/2121 amending Directive (EU) 2017/1132 as regards cross-border conversions, mergers and divisions, such data should be more transparent, as the Directive obliges companies carrying out cross-border operations covered by its provisions to prepare a report explaining the consequences for BLER, among other matters. For the period between 2019 and 2022, the potential implications in terms of any regime-shopping effect could therefore be quantified only as very rough estimates and in aggregate terms.

The findings (see Figure 5.4) indicate that, overall, BLER rights do not discourage



BLER rights do not discourage companies from moving to 'BLER countries'

companies from moving to 'BLER countries': these countries accounted for 60.6% of the incorporations registered over the period and registered a slightly higher proportion of incorporations (49.3%) than non-BLER countries (45.7%). This conclusion supports the argument that codetermination rights do not have direct negative macroeconomic effects or, in other words, that they do not serve as a repellent to the incorporation of companies or investments by companies in countries with BLER. Admittedly, BLER rights do not seem to make countries particularly attractive for corporate inward migration either: 'BLER countries' registered more outward CBCs (50.7%) than inward CBCs (49.3%). Other considerations may thus be more influential on corporate relocation decisions, such as efficiency or cost-saving factors (e.g. taxation), market or asset-seeking factors (Barbieri et al. 2019), or the institutional distance between the locations of corporate and intermediary headquarters within the same group (Valentino et al. 2019).

A regime-shopping effect is thus not generally observable when comparing BLER and non-BLER countries, but the situation varies across countries within the same category. Looking at those with over 100 cases of CBCs within 'BLER countries' over the period, Luxembourg, Germany and France recorded 855, 488 and 153 cases of CBCs respectively, yet while France and Luxembourg had positive rates of 62% and 18% respectively, Germany had a negative rate (-55%), meaning that more companies moved out of Germany than into Germany. This may mean that German companies with strong codetermination rights could potentially have been affected, but further micro-analysis is needed to confirm this. In the 'non-BLER countries' category, the Netherlands (446), followed by Malta (140), Belgium (131) and Spain (128) recorded over 100 CBCs for the period. With the exception of Belgium (89%), all had negative rates (-43% for

the Netherlands, -84% for Malta, and -19% for Spain). In summary, a pattern of outflows was found less often in 'BLER countries' than in 'non-BLER countries'.

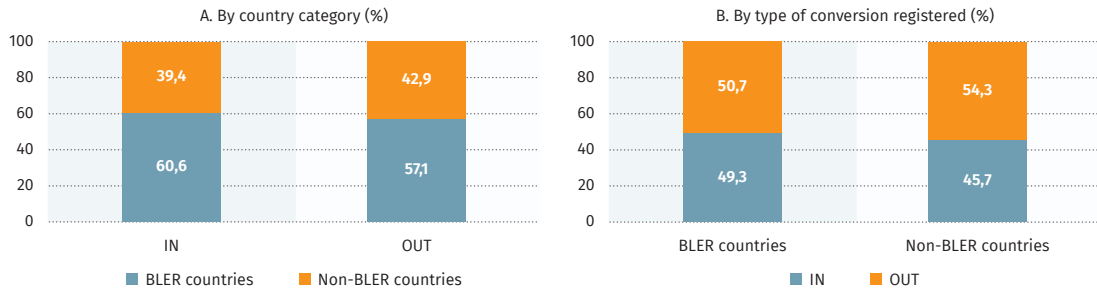
Yet conclusions about the significance of such movements, based on the data to hand, are tentative at best. More detailed company and employee data are needed to evaluate authoritatively, at the micro level, whether mandatory rights are being circumvented by CBCs on a basis, although national corporate registries and official statistics do not often contain the information needed to assess when mandatory rules are applicable (Lafuente 2022). This points to a need to collect further data through case study research.

### Europeanising trade union seats on corporate boards

Cross-border corporate mobility and EU corporate law have also increasingly attracted the attention of researchers and the CJEU, particularly in terms of their implications for the composition of worker representation on corporate boards.

Case C-566/15 (Erzberger versus TUI AG) before the CJEU highlighted the potential for unequal treatment of workers by multinational groups in terms of workers' rights to participate in elections for representatives to the supervisory board of the parent company, when the latter is governed by national law (Lafuente and Rasnača 2019). As BLER rights are not yet harmonised across the EU, the CJEU established that territoriality should prevail and that Member States are sovereign in deciding whether, and how, to extend their national participation systems to workers in the foreign subsidiaries of companies falling under their jurisdiction. However, this does not seem to provide a

Figure 5.4 Cross-border conversions for the period between 2019 and 2022



Note: N = 2,652  
 (N 'IN cases' = 1,268; N 'OUT cases' = 1,384)  
 (N 'BLER countries' = 1,558; N 'Non-BLER countries' = 1,094)  
 'BLER countries' = 10 Member States  
 'Non-BLER countries' = 13 Member States including the UK and Liechtenstein.  
 IN refers to cases registered as 'inward CBC' in the destination country; OUT refers to cases registered as 'outward CBC' in the origin country.  
 Source: analysis by Lafuente of the ETUI cross-border mobility database (2019-22 data) accessed July 2023.



The lack of EU-wide minimum standards and legislative coordination has fostered conflict and great uncertainty about the conduct of electoral processes and the legitimacy of mandates

definitive solution for workers' rights in an increasingly integrated EU market. The national law and practice of five Member States (Germany, Sweden, Norway, Denmark and France) recognise the transnational dimension of the workforce in their participation systems. While Germany and Sweden allow trade unions to share their board mandates with foreign representatives, this has only very rarely happened in practice. Furthermore, although Norway and Denmark have established more sophisticated systems of transnational elections across the workforce of multinational groups, such elections have been infrequent. When they have taken place, the lack of EU-wide minimum standards and legislative coordination has fostered conflict and great uncertainty about the conduct of electoral processes and the legitimacy of mandates (Lafuente 2023). Finally, in 2013, French law introduced a new role for EWCs by granting them the possibility of appointing one worker director in cases where two directors must be appointed. A legal change in 2019 lowered the thresholds for boards to have two worker directors, so EWCs could more often be responsible for appointing a second worker director, a practice that is becoming normalised in French MNCs (Lafuente 2022). Once again, however, the EU legislator did not foresee this role for EWCs in the EWC Recast Directive, and national law does not suffice to address all of the implications. These include potential conflict and insecurity arising as a result of the process, because many rules are not pre-established but are left to the management to decide, including in terms of equal treatment and the protection of candidates and representatives accessing the mandate, especially when they have non-French employment contracts (Lafuente 2022).

As for European Companies (SEs), the SE Directive (Directive 2001/86/EC) imposes obligations to negotiate on workers' involvement and, under certain circumstances, to retain previously existing BLER rights while granting European diversity in BLER mandates. However, the CJEU has only recently clarified that this Directive's safeguards imply respect not only for the previous proportions or number of workers in the composition of SE boards, but also for keeping other qualitative or procedural rules concerning the participation system in place, especially in respect of trade union seat reservation, and that these elements need to be Europeanised. In Case C-677/20 (*IG Metall and ver.di vs. SAP SE*), the German Federal Labour Court asked the CJEU whether the right of German trade unions to nominate candidates to supervisory boards under the German Codetermination Act of 1976 should be considered as a core element of the

German codetermination system to be preserved according to the SE Directive in the event of SE transformation. In this case, the SE agreement of SAP SE had included a provision under which the size of the supervisory board could be reduced; if this provision was activated, German trade unions would lose their right to nominate and have members elected to the supervisory board through a special ballot. German trade unions thus brought the issue to court, arguing that the SE agreement was in breach of the SE Directive.

In its ruling of 18 October 2022, the CJEU concluded that this separate ballot for the election of trade union candidates to the supervisory board must be considered to be part of the non-negotiable elements of employee involvement that must be preserved at the same level after SE transformation according to Article 4(4) of the SE Directive 2001/86. Thus, the Directive's safeguards affect not only the numbers and proportions of board composition, but also the qualitative and procedural aspects of the codetermination system. German unions welcomed the ruling, since it means that German companies will not find it so easy to circumvent trade union rights by transforming themselves into SEs (Sick 2023).

The CJEU went further, however, arguing for the overall protection of trade union rights and equal treatment of workers in the transformed SEs: all employees within the subsidiaries and establishments of the SE should be treated equally regarding the trade union reservation of board seats. This means that all trade unions represented within the SE – not only those from Germany – should have the right to nominate candidates for election as supervisory board representatives, and 'all employees of SAP must be able to avail of the electoral procedure laid down by German law, even in the absence of any indication to that effect in that law.' The judgment concerns only SEs established by transformation and SE workers in the EEA, so does not contradict the reasoning of *Erzberger*, which applied the territoriality principle and sovereignty argument to the case of a multinational governed by national law (Lafuente and Rasnača 2019).

Yet, in the same vein as the subsequent ruling by the German Labour Court, the CJEU did not clarify how the mandating procedures should be Europeanised; it opened an avenue and left it to the German and European trade unions (and potentially the legislator) to articulate adequate solutions for Europeanising their mandates in SE boards. Innovative mandating procedures could be explored, such as those developed in the context of transnational company agreement

negotiations to improve political legitimacy (Lafuente 2023). Explicit roles could be granted to relevant ETUFs for the nomination of trade union candidates to SE supervisory boards governed by German codetermination rules (and eventually also to boards of other multinational companies), to works councils of SEs (SEWCs) in connection with appointments, and/or the workforce electing board representatives could be enlarged. The European Commission will have the opportunity to address this issue in its evaluation of Directive (EU) 2019/2121 by 1 February 2027, including an assessment of how the rules and safeguards on employee participation rights can be preserved in cross-border operations, contemplating ‘the possible need to introduce a harmonised framework on board - level employee representation in EU law, accompanied, where appropriate, by a legislative proposal.’

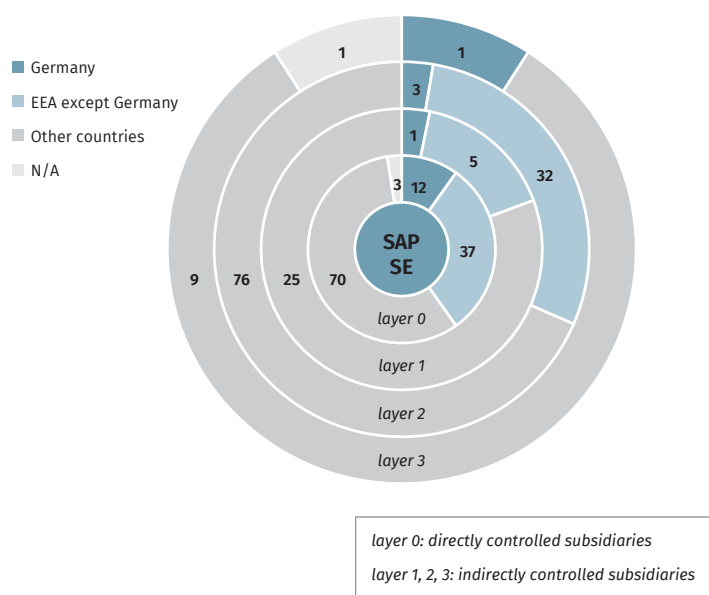
Besides expanding the understanding of SE Directive safeguards, and inviting reflection on more inclusive solutions for trade union mandates in SE boards, the judgment entailed some immediate effects. Firstly, the potential reduction in supervisory board size was declared invalid for the SAP SE agreement, but questions remain regarding trade union mandates in the current right-sized supervisory board, still exclusively reserved for German trade unions. Figure 5.5 shows the corporate structure of SAP SE worldwide, resembling that of TUI AG in an earlier publication (Hoffmann et al. 2018). SAP SE is headquartered in Germany and controls (i.e.

holds more than 50% of their capital), directly or indirectly, 275 subsidiaries, among which 74 are located in the European Economic Area (EEA). Currently, only trade unions representing workers in the 7 German subsidiaries can nominate members for the seats on the SAP SE supervisory board reserved for trade unions, while, following the CJEU judgment, trade unions representing workers in the 74 EEA subsidiaries of SAP SE should have equal opportunities in terms of nomination, as should their workforces regarding the election of their representatives. The EEA subsidiaries of SAP SE are spread across 25 Member States: France and the Netherlands account for 10 each, followed by Italy (six subsidiaries), Norway, Ireland, and Belgium (four each), and so forth. The number of employees and the economic relevance of each subsidiary is unknown, but Figure 5.5 shows the potential spread of workers’ interests across SAP SE that should be considered with regard to trade union board mandates with a view to Europeanising procedures.

Finally, the judgment triggers questions about other German SEs created through transformation that currently have seats reserved for trade unions on parity supervisory boards. According to ETUI data collected on the participation-related provisions of SE agreements (last updated in 2019), at least 11 additional German SEs resulting from a transformation could be affected (i.e. BASF SE, Bilfinger SE, BP Europa SE, Dekra SE, E.ON SE, Fresenius SE, Hannover Rück SE, Man Diesel SE, MAN SE, SGL Carbon SE and Uniper SE). Some of their agreements explicitly provide for seats to be reserved for German trade unions, so the question that remains is how they should be updated. Interestingly, MAN SE already foresaw a role for the European Metalworkers’ Federation (merged into IndustriAll) to propose candidates to its SEWC for appointment.

A crucial pending task for trade union policy and EU legislation in the coming legislature will thus be to assess the implications of corporate mobility for board composition and to enforce fairer and more transparent solutions for appointing European worker representatives within multinational companies and to SE boards.

Figure 5.5 Structure of the SAP SE, by layer of control, country and number of subsidiaries



Note: N=275 subsidiaries. Capital IQ limits its ‘corporate trees’ information to capital connections, i.e. shares ownership only, so other organisational, economic or political dependences are not considered (i.e. special voting rights).  
Source: Lafuente based on Capital IQ 2023 (XTRA\_SAP). Corporate tree information as of 19 November 2023.



# Worker participation and sustainability reporting

Transparency is also essential for assessing responsible business conduct and corporations' contributions to initiatives such as the European Green Deal. Not surprisingly, the European Parliament's (2021) Report on democracy at work called, among other things, for EU and national policies to promote corporate governance practices and, in particular, corporate reporting that, with workers' voice and participation, will contribute to corporate sustainability. The Corporate Sustainability Reporting Directive (Directive (EU) 2022/2464 (CSRD)), adopted in December 2022, represents a major step forward by requiring companies to publish information about their impacts on 'people and planet'. The CSRD will successively require different categories of companies to compile information on many environmental, social and governance (ESG) topics and to publish these in their annual management reports. One reason why the CSRD is a potential game-changer in fighting greenwashing is because it gives workers' representatives I&C rights in relation to sustainability reporting. By 2025, the CSRD will apply to all large limited liability companies based in Europe (including subsidiaries of non-EU companies), defined by the EU Accounting Directive as certain types of companies that fulfil two of the following three criteria in that they: (1) employ at least 250 workers, (2) have net revenue of at least 40 million euros and/or (3) have a balance sheet total of at least 20 million euros. Eurostat data on enterprises with 250 or more employees allow a rough estimate of the number of companies covered and the number of workers that they employ. For 2021, there were over 50,000 EU companies employing more than 55 million workers that could fall under the scope of the CSRD (see Table 5.2). In subsequent years, reporting requirements will also apply to listed small and medium-sized enterprises (SMEs) and to non-EU companies with significant business in the EU. Voluntary standards will also be developed for non-listed SMEs.

The CSRD is a key part of the European Green Deal since it requires large companies to report on their fulfilment of the EU's five main environmental objectives: climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular

economy, pollution prevention and control, and protection and restoration of biodiversity. However, the CSRD also requires companies to report on their business strategy and due diligence procedures, value chain, human rights (as defined by international instruments including the United Nations Guiding Principles on Business and Human Rights and the OECD Due Diligence Guidance for Responsible Business Conduct), as well as working conditions, social



By 2025, the Corporate Sustainability Reporting Directive will apply to all large limited liability companies based in Europe

Table 5.2 **Estimated number of companies and workers covered by the CSRD in 2021**

Country	Number of enterprises with 250+ employees	Number of workers employed
Austria	1,391	1,215,623
Belgium	1,432	1,477,721
Bulgaria	750	550,845
Croatia	412	356,362
Cyprus	N/A	N/A
Czechia	1,716	1,301,787
Denmark	868	754,697
Estonia	165	94,724
Finland	713	602,794
France	5,727	9,062,936
Germany	14,790	16,217,349
Greece	570	529,025
Hungary	951	889,116
Ireland	783	664,570
Italy	4,367	4,386,746
Latvia	217	148,927
Lithuania	420	308,832
Luxembourg	234	140,846
Malta	100	54,954
Netherlands	2,526	3,315,006
Poland	3,508	3,605,980
Portugal	1,075	N/A
Romania	1,651	1,517,314
Slovakia	646	492,445
Slovenia	269	200,999
Spain	4,354	4,943,300
Sweden	1,693	1,816,077
<b>EU27 – total</b>	<b>51,000</b>	<b>55,643,165</b>

Source: Eurostat (2023) structural business statistics (sbs), enterprise statistics on the whole business population (sbs\_owv), data for 2021, last checked 1 December 2023.

dialogue, adequate wages, health and safety, social protection and other social issues.

The CSRD also recognises the contribution that sustainability reporting can make to improving social dialogue. It defines broad I&C rights for workers' representatives in relation to 'relevant information and the means of obtaining and verifying sustainability information,' including the right to formulate an opinion that must be communicated to the company's board(s). These rights have the potential to comprehensively involve workers' representatives in reporting, thus ensuring that key issues are discussed

with management and accurately reported. However, since the CSRD does not specify 'who, how or when' – that is, which workers' representatives must be consulted, in what manner and at what stage – its transposition will thus be a crucial factor in ensuring that the rights are properly defined at the national level. The deadline for transposition is 6 July 2024. Furthermore, workers' representatives will need specific training and the chance to learn about 'good practices' if the CSRD is to realise its potential as an important mechanism for worker participation (ETUC and Vitols 2024).



The revision of the European Works Council Directive could provide an opportunity to reinforce the links between EWCs and other worker representation bodies

# Conclusions

This chapter took stock of the broad extent of democracy at work in the EU in terms of worker information, consultation and participation institutions at the company level. While emerging narratives and some developments seem supportive of EU worker participation rights, our analysis points to areas that need improvement and require policy and legislative action, after 20 years of enlargement and at a time when EU social policy on worker participation is at a crossroads.

Firstly, based on analysis of the EPI and its components, our findings showed how worker participation institutions across the EU Member States still vary between ‘pre-2004’ and ‘post-2004’ countries, even years after enlargement, and how the different institutional dimensions of worker voice are still under-used in many countries, despite the current EU acquis on worker participation. Looking at EWCs, confidentiality obligations still appear to be a key obstacle to full EWC activity, although the precise nature of this obstacle varies from country to country, with employer-led definitions of confidentiality more apparent in central-eastern and southern European countries. This issue needs to be addressed if EWCs are to fulfil their role, in the process supporting companies’ social and environmental performance and ‘adding value’ in managers’ eyes. With regard to BLER, it emerged that cross-border corporate mobility through conversions has a less evident general effect in terms of regime-shopping than might be expected. Notwithstanding greater outward rates from Germany than from other countries and limited access to employee and other corporate data, our study points to other factors driving corporate mobility to a greater extent than the circumvention of BLER rights. However, cross-border mobility is bringing to the fore new challenges for national and EU legislation and trade union policy in terms of how to Europeanise trade union mandates in a fairer and more transparent way on multinational company boards. This implication is especially important given the uncoordinated developments identified in national law and practice, as well as recent CJEU jurisprudence concerning transformed SEs and supervisory board seats reserved for trade unions. Finally, we underscored the relevance of a new legal instrument, the Corporate Sustainability Reporting Directive, for introducing greater transparency and reinforcing worker participation rights.

As the ETUC *Action Programme 2023-27* observes, ‘in many Member States, the effective exercise of democracy, unfortunately, decreases where most citizens spend a considerable amount of their time: at the workplace (ETUC 2023: 15)’. The effective exercise of democracy at work by involving workers in strategic decision-making, helps to protect their workplace rights, quality jobs and working conditions, thereby ensuring companies’ sustainability as well as reinforcing the basis of democratic society. The strengthening of I&C and the participation rights of worker representatives and trade unions across Europe thus remains a top priority. This includes building on EU and national legislative initiatives, in particular, by means of responses to the European Parliament’s call for the revision of the EWC Directive with, among other changes, adequate deterrent sanctions and infringement procedures in cases of wrongful transposition. Moreover, the revision of the EWC Recast Directive could provide an opportunity to reinforce the links between EWCs and other worker representation bodies, in particular, BLER, and to introduce procedural security for situations where EWCs are granted new roles to appoint board-level employee representatives, as is the case in France. As the chapter also highlights, a second key development will be the evaluation of Directive (EU) 2019/2121 as regards cross-border conversions, mergers and divisions, due by 1 February 2027, during which the European Commission will need to assess the effectiveness of safeguards for employee participation rights in the context of cross-border operations. It will, in fact, need to consider the pertinence of ‘a harmonised framework on board-level employee representation in Union law, accompanied, where appropriate, by a legislative proposal.’ By then, the ETUC proposal (published in 2020) for a Directive on a new EU framework for I&C and BLER rights for European company forms and other EU company law instruments could be a strong basis for discussion and could even be developed further to extend the scope of a coordinated framework of this kind to multinationals covered by the EWC Directive. Our findings also point to the need for a general policy shift such that corporate planning and shareholder interests are not prioritised over a worker participation agenda. Trustful employment relations must be supported, as they underpin the application of confidentiality provisions and worker agency. When such relations are absent,

the timing of management's engagement in I&C can circumscribe worker representatives' involvement in decision-making. Indeed, 'involving, trusting and influential' types of establishments score markedly better than moderate- or low-trust enterprises on establishment performance and workplace well-being (Eurofound and Cedefop 2020). Moreover, worker representation institutions at the company level, be they EWCs, BLER or others (e.g. health and safety representation), should be regarded as 'insiders' that enhance corporate strategising (Jagodziński and Stoop 2021; Parker and Jagodziński 2023) rather than as 'contested institutions'. They are pivotal to enhancing workplace democracy, employee involvement and mutual trust on transnational matters, even though it must be recognised that systems of industrial relations in Member States mature at different rates and from different baselines.

Notwithstanding this, union organisations must also continue to improve their performance and develop their own policies to Europeanise and strengthen worker participation at all levels. Wide-ranging policy initiatives are needed from ETUFs if unionised EWCs, together with the assignment of an EWC coordinator acting on an ETUF's behalf, are to become more prevalent. Union and EWC training that recognises cultural,

gender and other diversity among the EWC's representatives, workers and management, cultivates representatives' knowledge of regulations and agreements and their assessment and negotiation skills, and develops an internal 'protocol' (e.g. sessions on handling conflicting interests around confidentiality) that is a vital precursor to contesting undue withholding and the confidentialisation of information (Parker and Jagodziński 2023). The ETUC and ETUFs have essential roles in supporting national trade unions and worker representatives, conducting in-depth exchanges, building networks and helping them to monitor – and challenge when needed – the national transpositions of directives on worker participation. Important steps must also be taken to promote the Europeanisation of worker representation at all levels, including company boards.

At this critical juncture for Social Europe and European worker participation, a lesson from our research is that it cannot be assumed that legislation unfolds naturally along a progressive path; at the same time, trade unions have the opportunity to act not only as key agents for change, but also as promoters of Euro-democratisation from different vantage points and via a wide array of activities.

# References

- Barbieri P., Elia S., Fratocchi L. and Golini R. (2019) Relocation of second degree: moving towards a new place or returning home?, *Journal of Purchasing and Supply Management*, 25 (3), 100525.
- Biermeyer T. and Meyer-Erdmann M. (2021) Cross-Border Corporate Mobility in the EU: Empirical Findings 2021 (October 18, 2021). <https://ssrn.com/abstract=3960618> or <http://dx.doi.org/10.2139/ssrn.3960618>
- Capital IQ (2023) SAP SE (XTRA\_SAP) Corporate tree information. Accessed 19 November 2023. S&P Capital IQ Pro | S&P Global Market Intelligence ([spglobal.com](https://spglobal.com)).
- Clauwaert S., De Spiegelaere S., Hoffmann A., Jagodziński R., Ponce A., Schömann I. and Vitols S. (2016) A social Europe needs workers' participation, in Jepsen M. (ed.) *Benchmarking Working Europe 2016*, ETUI, 55-70.
- Council of the EU (2023) Draft Council Conclusions on more democracy at work and green collective bargaining for decent work and sustainable and inclusive growth, 15162/23, Brussels, 17/11/2023. [pdf \(europa.eu\)](https://europa.eu).
- Crespy A. (2019) *L'Europe sociale, acteurs, politiques, débats*, Éditions de l'Université Libre de Bruxelles.
- De Spiegelaere S., Hoffmann A., Jagodziński R., Lafuente Hernández S., Rasnača Z. and Vitols S. (2019) Democracy at work, in ETUI and ETUC, *Benchmarking Working Europe 2019*, ETUI, 67-89.
- De Spiegelaere S., Jagodziński R. and Waddington J. (2022) *European Works Councils: contested and still in the making*, ETUI.
- EESC (2023) *Opinion of the European Economic and Social Committee on Democracy at work, (exploratory opinion requested by the Spanish Presidency) 2023/C 228/06, Rapporteur and co-rapporteur: Reiner Hoffmann and Krzysztof Balon*.
- ETUC (2023) *ETUC Action Programme 2023-2027, adopted by the ETUC 15<sup>th</sup> Statutory Congress. Berlin, 23-26 May 2023*. [https://www.etuc.org/sites/default/files/2023-06/ETUC%20Action%20Programme\\_Together%20for%20a%20Fair%20Deal%20for%20Workers.pdf](https://www.etuc.org/sites/default/files/2023-06/ETUC%20Action%20Programme_Together%20for%20a%20Fair%20Deal%20for%20Workers.pdf)
- ETUC (2020) *ETUC Position on a new EU framework on information, consultation and board-level representation for European company forms and for companies making use of EU company law instruments enabling company mobility, adopted at the Executive Committee of 8-9 December 2020*. <https://www.etuc.org/sites/default/files/document/file/2021-02/EN%20-%20Adopted%20-%20A%20NEW%20EU%20FRAMEWORK%20ON%20INFORMATION%20AND%20CONSULTATION.pdf> (etuc.org).
- ETUC (2017) *ETUC position paper: for a modern European Works Council (EWC) Directive in the digital era, adopted at the ETUC Executive Committee, 15-16 March 2017*. [https://www.etuc.org/sites/default/files/document/files/en-position-for\\_a\\_modern\\_ewc\\_directive\\_in\\_digital\\_era2.pdf](https://www.etuc.org/sites/default/files/document/files/en-position-for_a_modern_ewc_directive_in_digital_era2.pdf)
- ETUC and Vitols S. (2024) *Recommendations for Transposition of the Corporate Sustainability Reporting Directive (CSRD)*, ETUC. [CSRD\\_Recommendations\\_web.pdf \(etuc.org\)](https://www.etuc.org/sites/default/files/document/files/en-recommendations_csrd.pdf).
- ETUI (2023a) *European Works Councils database*. [EWCdb.eu](https://www.etui.eu)
- ETUI (2023b) *Cross-border company mobility database*.
- Eurofound and Cedefop (2020) *European Company Survey 2019: workplace practices unlocking employee potential*, Publications Office of the European Union.
- European Commission (2023) *Commission Staff Working Document Analytical Document. Accompanying the document Consultation document Second-phase consultation of Social Partners under Article 154 TFEU on a possible revision of the European Works Council Directive 2009/38/EC, SWD/2023/0662 final, 26/07/2023*.
- European Parliament (2023) *European Parliament resolution of 2 February with recommendations to the Commission on Revision of European Works Councils Directive (2019/2183(INL)), P9-TA(2023)0028*, [https://www.europarl.europa.eu/doceo/document/TA-9-2023-0028\\_EN.pdf](https://www.europarl.europa.eu/doceo/document/TA-9-2023-0028_EN.pdf)
- European Parliament (2021) *Report on democracy at work: a European framework for employees' participation rights and the revision of the European Works Council Directive (2021/2005(INI)), A9-0331/2021, 29/11/2021, Rapporteur: Gabriele Bischoff*. [https://www.europarl.europa.eu/doceo/document/A-9-2021-0331\\_EN.html](https://www.europarl.europa.eu/doceo/document/A-9-2021-0331_EN.html)
- Eurostat (2023) *Structural business statistics (sbs), Enterprise statistics on the whole business population (sbs\_ovw)*
- Ferreras I., Battilana J. and Méda D. (eds.) (2020) *Le manifeste travail : démocratiser, démarchandiser, dépolluer, Le Seuil*.
- Frega R., Herzog L. and Neuhäuser C. (2019) *Workplace democracy- The recent debate, Philosophy Compass*, 14 (4), e12574. <https://doi.org/10.1111/phc3.12574>
- Fulton L. (2022) *National Industrial Relations, (under construction), Worker-Participation.eu*. <https://www.worker-participation.eu>
- Hall P. and Soskice D. (2001) *Varieties of Capitalism. The Institutional Foundations of Comparative Advantage*. Oxford University Press.

- Hoffmann A., Clauwaert S., De Spiegelaere S., Jagodziński R., Lafuente S., Rasnača Z and Vitols S. (2017) One step forward, two steps back? Taking stock of social dialogue and workers' participation, in Jepsen M. (ed.), *Benchmarking Working Europe 2017*, ETUI, 49-65.
- Hoffmann A., De Spiegelaere S., Jagodziński R., Lafuente S., Rasnača Z. and Vitols S. (2018) Social policymaking and workers' participation, in Jepsen M. (ed.), *Benchmarking Working Europe 2018*, ETUI, 65-84.
- Hoffmann A. and Jagodziński R. (forthcoming) Mapping EWC rights across the European Union: comparative tables on national laws transposing EWC Directive 2009/38/EC, ETUI.
- Huybrechts S. (2021) Case law analysis – EWC Jurisprudence. Unpublished report commissioned by the ETUI.
- Hyman R. (2016) The very idea of democracy at work, *Transfer*, 22 (1), 11-24.
- Jagodziński R. and Lorber P. (2015) Enforcement frameworks and employees' rights of access to enforcement procedures, in Jagodziński R (ed.) *Variations on a theme? The implementation of the EWC Recast Directive*, ETUI, 107–178.
- Jagodziński R. and Stoop S. (2021) *Manual for European Workers' Representatives. 04: How to deal with confidential information*, ETUI. [https://www.etui.org/sites/default/files/2021-05/How%20to%20deal%20with%20confidential%20information\\_2021\\_web.pdf](https://www.etui.org/sites/default/files/2021-05/How%20to%20deal%20with%20confidential%20information_2021_web.pdf)
- Kiss-Gálfalvi T., Hassan N. and Ruiz de la Ossa T. (2022) Analysis of EU-level policies on strengthening collective bargaining and tackling inequality. European Commission, Deliverable 1.2 EU-level policy report, Before project VS/2021/0209. [https://hiva.kuleuven.be/sites/bfore/docs/D1\\_2\\_analysis\\_of\\_eu\\_level\\_policies](https://hiva.kuleuven.be/sites/bfore/docs/D1_2_analysis_of_eu_level_policies)
- Lafuente S. and Rasnača Z. (2019) Can workers' rights ever catch up? The Erzberger case and EU cross-border Reality, *Industrial Law Journal*, 48 (1), 98-116.
- Lafuente S. (2022) The Europeanisation of board-level employee representation in France: an emerging role for European Works Councils? Working Paper 2022.14, ETUI.
- Lafuente S. (2023) The quiet transnationalisation of board-level employee representation in national law and practice: a case for pan-European legislation, Working Paper 2023.06, ETUI.
- Lafuente S. (ed.) (forthcoming) *Revisiting worker representation on boards: the forgotten EU countries in codetermination studies*, ETUI.
- Parker J. (forthcoming) *Handbook on confidentiality of information and worker participation*, ETUI.
- Parker J. and Jagodziński R. (2023) *European Works Councils and confidentiality rules*, Powerpoints presented at the ETUC annual EWC conference, Madrid, 4-6 October 2023. <https://worker-participation.eu/sites/default/files/2023-11/European%20Works%20Councils%20and%20Confidentiality%20Rules%20%28Madrid%202023%29%20.pdf>
- Pochet P. (2019) *À la recherche de l'Europe sociale*, Presses Universitaires de France.
- Pulignano V. and Waddington J. (2020) Management, European Works Councils and institutional malleability, *European Journal of Industrial Relations*, 26 (1), 5–21.
- Pulignano V. and Turk J. (2016) European Works Councils on the move: management perspectives on the development of a transnational institution for social dialogue, KU Leuven, Centre for Sociological Research.
- Rasnača Z. and Jagodziński R. (forthcoming) *Confidentiality and workers' information and consultation rights: a jigsaw puzzle*, ETUI.
- Sick S. and Pütz L. (2011) *Der deutschen Unternehmensmitbestimmung entzogen – Die Zahl der Unternehmen mit ausländischer Rechtsform wächst*, *WSI-Mitteilungen*, 64 (1), 34–40.
- Sick S. (2023) Neues zum Recht der Unternehmensmitbestimmung, *Arbeit und Recht*, 71 (10), 372-378.
- Valentino A., Schmitt J., Koch B. and Nell P.C. (2019) Leaving home: an institutional perspective on intermediary HQ relocations, *Journal of World Business*, 54 (4), 273-284.
- Vitols S. (2009) *European Works Councils: an assessment of their social welfare impact*, Working Paper 2009.04, ETUI.

All links were checked on 23.01.2024

# List of figures

Figure 1.1	Real GDP growth (2008=100), EU, euro area and US, 2008-2023(e), 2024(f)-2025(f)	31
Figure 1.2	Contributions in percentage points to GDP growth (%) of main expenditure components, EU, 2021Q1-2023Q3	31
Figure 1.3	Fiscal responses to the energy crisis (expenditure as % of GDP), EU Member States/OECD member countries, UK and US, 2022 and 2023.	32
Figure 1.4	Real GDP per capita in the EU Member States (2021=100), 2022, 2023 (e), 2024 (f)	32
Figure 1.5	Euro area monthly (year-on-year) inflation rate (%), 2021M1-2023M12	33
Figure 1.6	Contributions (in percentage points) to euro area annual inflation of main groups of commodities, and monthly (year-on-year) headline inflation (HICP %), 2021M1-2023M12	33
Figure 1.7	Headline inflation rate (%) in the EU27 Member States, 2021, 2022, 2023M11	34
Figure 1.8	Real compensation per employee (2021=100) in 2022-2023, EU Member States	34
Figure 1.9	Upward/downward convergence/divergence right-axis of adjusted gross disposable income of households per capita (left-axis, PPS, EU27 from 2020), EU27 and subgroups, 2004-2022	35
Figure 1.10	European Central Bank policy interest rates (%), 2008M7-2023M12	38
Figure 1.11	General government budget balance (% of GDP), EU, euro area and Member States, 2022, 2023 (e), 2024 (f)	39
Figure 1.12	General government debt (% of GDP), EU, euro area and Member States, 2023 (e), 2024 (f)	40
Figure 1.13	Recommended fiscal adjustment for 2024 (Percentage points of GDP), EU Member States	41
Figure 2.1	Rising employment rates across the EU	55
Figure 2.2	Changes in employment rate between men and women	56
Figure 2.3	Changes in sectoral employment from 2013 to 2023 and share of workers aged 50+ in 2023	57
Figure 2.4	Change over time by greenhouse gas emissions (left) and by stocks of robots (right)	58
Figure 2.5	Share of industry jobs as a proportion of private employment (%)	59
Figure 2.6	Regional variation in the employment rate over time	60
Figure 2.7	Unemployment rates by categories	61
Figure 2.8	Unemployment rate by country	62
Figure 2.9	Share of young people not in employment, education or training	62
Figure 2.10	Intra-EU mobility over time	63
Figure 2.11	Intra-EU mobility per country	64
Figure 2.12	Share of employed working part-time and share of employees working on temporary contracts	65
Figure 2.13	Part-time work by reason	66
Figure 2.14	Share of involuntary part-time and involuntary temporary work	67
Figure 2.15	Workers at risk of poverty	68
Figure 2.16	Overall Job Quality Index in 2021, by country and gender	69
Figure 2.17	Job Quality Index in 2021, by sub-dimensions and by gender, EU27	70
Figure 2.18	The quality of working conditions (overall measure and sub-dimensions), by sector, EU27	71
Figure 2.19	Fractions of depression attributable to selected psychosocial work factors in EU27+UK in 2015, per Member State	72
Figure 2.20	Fractions of CHD attributable to selected psychosocial work factors in EU27+UK in 2015, per Member State	73
Figure 2.21	Spending on labour market policy support in 2010 and 2021, by country	75
Figure 2.22	Share of households with dependent children at risk of poverty or social exclusion	77
Figure 2.23	Labour market participation in internet and platform work across countries	78
Figure 2.24	CSRs on labour market policies, working conditions and social protection and assistance	81
Figure 3.1	Development of nominal and real compensation* per employee in 2023 (change in % compared with previous year)	90
Figure 3.2	Development of collectively agreed wages in the euro area (annual rate of change %; 2010-2023*)	91
Figure 3.3	Wage inequality within and between EU Member States	92

Figure 3.4	Wage differences between pre-2004 and post-2004 Member States over time (2006-2007 and 2020-2021)	93
Figure 3.5	Development of wage inequality in EU Member States (2006/2007; 2020/2021)	93
Figure 3.6	Development of hourly nominal and real minimum wages in 2023 (in %, 1 January 2023-30 January 2024)	95
Figure 3.7	Statutory national minimum wages in the EU (per hour, in euros, current prices, January 2024)	96
Figure 3.8	Statutory minimum wages in purchasing power standards (per hour, PPS on euro basis*, 30 January 2024)	97
Figure 3.9	Minimum wage as a % of full-time median and average wages (2022)	98
Figure 3.10	Collective bargaining coverage* in EU countries (2021 or most recent year available)	101
Figure 3.11	Trade union density in EU Member States (averages for 2000-2009 and 2010-2019)	103
Figure 3.12	Days not worked due to industrial action in Europe per 1,000 employees (weighted average) since 2000	104
Figure 3.13	Days not worked due to industrial action per 1,000 employees (1990-2022)	106
Figure 4.1	Greenhouse gas emissions, 2021, percentage change compared to 1990 (total economy, net, UNFCCC standard)	118
Figure 4.2	Trends in greenhouse gas emissions and GDP for the EU27, index, 1995=100	119
Figure 4.3	Absolute level of GHG emissions intensity of GDP, 2021 (tCO <sub>2</sub> /million euros, left scale) and relative to 1990 (index, 2021 in % of 1990, right scale)	119
Figure 4.4	Greenhouse gas emissions by source sector, EU27, change from 1990 to 2021, million tonnes (left axis) and % change (right axis)	120
Figure 4.5	Electricity prices for median household consumers, in 2021 S1 and 2023 S1 (euros/kWh)	121
Figure 4.6	Electricity prices for household consumers – biannual data (euros/kWh 2018-2022), EU27, with and without taxes	121
Figure 4.7	Distribution of allocated and earmarked funding to shield EU27 households, by main type of measure, for the period September 2021 to January 2023 (in % of the total 432 billion euros)	122
Figure 4.8	Share of electricity from renewables in main case scenario vs. REPowerEU target, 2020-2030, EU27	124
Figure 4.9	Electricity production in the EU27 by type of fuel (GWh, 1990-2022)	125
Figure 4.10	New renewable energy capacity expansion, China, EU27 and North America, in GW, 2022	125
Figure 4.11	Change of EU imports from world regions by key product groups between 2018 and 2022 (%)	127
Figure 4.12	New car sales by fuel type in the EU27 (2023 Q1-Q3)	128
Figure 4.13	Energy poverty – share of population unable to keep their home warm (% , 2022)	129
Figure 4.14	Trends in key indicators for the environmental economy and the overall economy, EU27, 2000-2020 (2000=100)	130
Figure 4.15	Green-task jobs and non-green-task jobs by gender (%)	131
Figure 4.16	Just Transition Fund allocations for Member States, with source of funding (million euros)	134
Figure 5.1	European Participation Index and its components, by ‘pre-’ and ‘post-2004’ EU Member States	144
Figure 5.2	Topics of EWC-instigated court cases for the period 1997-2022	145
Figure 5.3	EWC capacity in legal proceedings	146
Figure 5.4	Cross-border conversions for the period between 2019 and 2022	151
Figure 5.5	Structure of the SAP SE, by layer of control, country and number of subsidiaries	153



# List of tables

Table 1.1	Revision of EU budget-European Commission and European Parliament proposals, European Council agreement	47
Table 2.1	List of directives and instruments that have emerged in the wake of the European Pillar of Social Rights	75
Table 3.1	Impact of the Minimum Wage Directive on national minimum wage setting	99
Table 5.1	National confidentiality frameworks	147
Table 5.2	Estimated number of companies and workers covered by the CSRD in 2021	154

# 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

# List of authors

## Editors



**Agnieszka Piasna.** Senior Researcher in the Economic, Employment and Social Policies Unit, ETUI. Research areas include job quality, working time, digitalization, labour market policies and gender equality.



**Sotiria Theodoropoulou.** Senior Researcher and head of the European Economic, Employment and Social Policies Unit, ETUI. Research areas: EU socio-economic governance, labour market and eco-social policies.

## Authors



**Mehtap Akgüç.** Senior Researcher in the Economic, Employment and Social Policies Unit, ETUI. Fields of research include labour market impacts of green and digital transitions, migration and mobility, and economic development.



**Kalina Arabadjieva.** Senior Researcher in the Economic, Employment and Social Policies Unit, ETUI. Research areas: labour law, gender equality, climate change and just transitions.



**Pierre Bérastéguï.** Researcher in the Health and Safety and Working Conditions Unit, ETUI. Fields of research: psychosocial risks, musculoskeletal disorders, fatigue risk management systems and digitalisation.



**Béla Galgóczi.** Senior Researcher in the Foresight Unit, ETUI. Working on capital and labour mobility in the EU. Current main research topic is the just transition towards a carbon neutral economy with a focus on fair labour market transitions.



**Claire Kilpatrick.** Professor of International and European Labour and Social Law and Co-Director of the Academy of European Law. Her interests lie mainly in the law and policy construction of Social Europe, especially the EU's roles at the EUI (European University Institute), Florence, Italy.



**Sara Lafuente.** Researcher in the Europeanisation of Industrial Relations unit, ETUI. Research areas include industrial relations, worker participation, democracy at work and, board-level employee representation.



**Bianca Luna Fabris.** Researcher in the Economic, Employment and Social Policies Unit, ETUI. Her research areas include comparative social policy and trade union renewal.



**Torsten Müller.** Senior Researcher in the Economic, Employment and Social Policies Unit, ETUI. Responsible for the areas of wages, collective bargaining and trade unions in Europe.



**Jane Parker.** Senior Researcher in the Europeanisation of Industrial Relations Unit, ETUI. Her research interests include worker representation and empowerment; workplace democracy; equity; and social movement unionism.



**Silvia Rainone.** Senior Researcher in the Europeanisation of Industrial Relations Unit, ETUI. Fields of research: EU labour and social policy and the transformative effect of digitalisation on labour law.



**Kurt Vandaele.** Senior Researcher in the Europeanisation of Industrial Relations Unit, ETUI. His research interests include trade union revitalisation, the workers' repertoire of collective action and the platform economy.



**Bart Vanhercke.** Director of Research Department at the ETUI. His current research focuses on the European Pillar of Social Rights and the social dimension of the new European economic governance. He also writes about the Europeanisation of domestic social inclusion, health care and pension policies through different EU policy instruments and the social challenges of EMU and EU enlargement.



**Sigurt Vitols.** Associate Research in the Europeanisation of Industrial Relations unit, ETUI. Fields of research: workers' participation, corporate governance, sustainability.



**Wouter Zwysen.** Senior Researcher in Economic, Employment and Social Policies Unit, ETUI. Research areas: earnings, job quality, migration and ethnic diversity.



**European  
Trade Union Institute**  
etui@etui.org  
www.etui.org

**European  
Trade Union Confederation**  
etuc@etuc.org  
www.etuc.org

D/2024/10.574/08  
978-2-87452-703-6



CONFEDERATION  
SYNDICAT  
EUROPÉEN  
TRADE UNION



etui.