Policy Brief

EU Recovery Strategy

For a social and sustainable EU Recovery Strategy

On the 21st of July 2020, the European Council reached an agreement on an unprecedented recovery package to overcome the crisis triggered by the COVID-19 Pandemic. As trade unions, we need to ensure that the € 1.8 trillion package will be spent on a fair recovery of the economy based on good quality jobs in a sustainable and smart European industry.

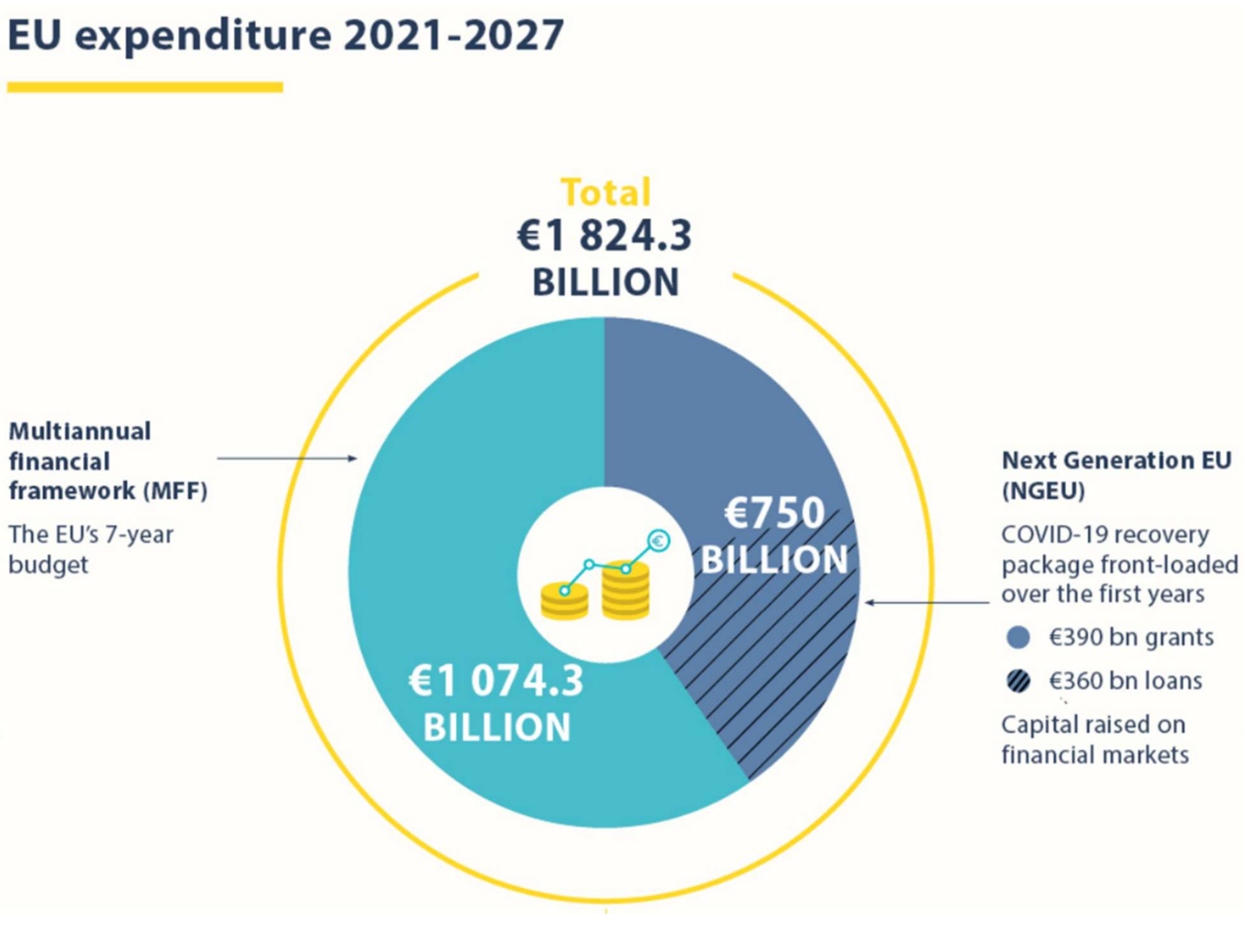
The 21st of July meeting is not the end of the road. You can still influence your governments and your MEPs in the way in which the money will be spent. In this Policy Brief, we are providing you with all the necessary information about the recovery package and the points that you need to raise with your policymakers in order to make sure the recovery will benefit workers.

How is the € 1.8 trillion package divided?

A big chunk of the money consists of the proposal for the next **EU Multiannual Financial Framework (EU Budget / EU MFF) 2021-27** equivalent to € 1 074.3 billion.

Another big chunk is the **"Next Generation EU" (NGEU)** of € 750 billion which will be raised from the financial markets and made available to Member States in the form of grants (€390bn) and loans (€360bn).

Fig. 1 Overview of the overall EU recovery package.



Out of the € 750 billion of NGEU, € 77.5 bn will be flown through existing EU funds and programmes. The remaining € 672.5 bn will be implemented through the new "**Recovery and Resilience Facility**" (RRF) which will be split between €360bn for loans and €312bn for grants. In 2021-22, the allocation of grants to Member States (70% of the grants) is based on population, GDP per capita and unemployment (2015-2019). In 2023, (the remaining 30% of the grants) the allocation criteria will integrate the GDP loss over 2020-21. Priority objectives of the RRF (beyond dealing with the crisis and its consequences) are climate (30% of spending) and digitalisation.

In order to access the funds of the RRF, Member States must prepare "**National Recovery and Resilience Plans**" where they set out their "reform and investment agenda" for 2021-23. The first draft of these plans must be submitted to the Commission by 15/10/2020 for a first analysis and the final versions must be sent by 30/4/2021. The Commission will assess the plans within two months and make a proposal to the European Council that must take a decision by qualified majority within four weeks.

Both the EU MFF and NGEU still need to be agreed by the European Parliament (EP). The EP expressed reservations regarding the big amount of the EU MFF and the too weak conditionalities, like the rule of law. Regard the NGEU, the risk of objection on the substance is limited, but the EP can delay the implementation.

This means that you can still contact both your MEPs and your national governments to stress the points of concerns which we have identified (listed below) and to ask them to involve you in the design, monitoring and implementation of the recovery plans.

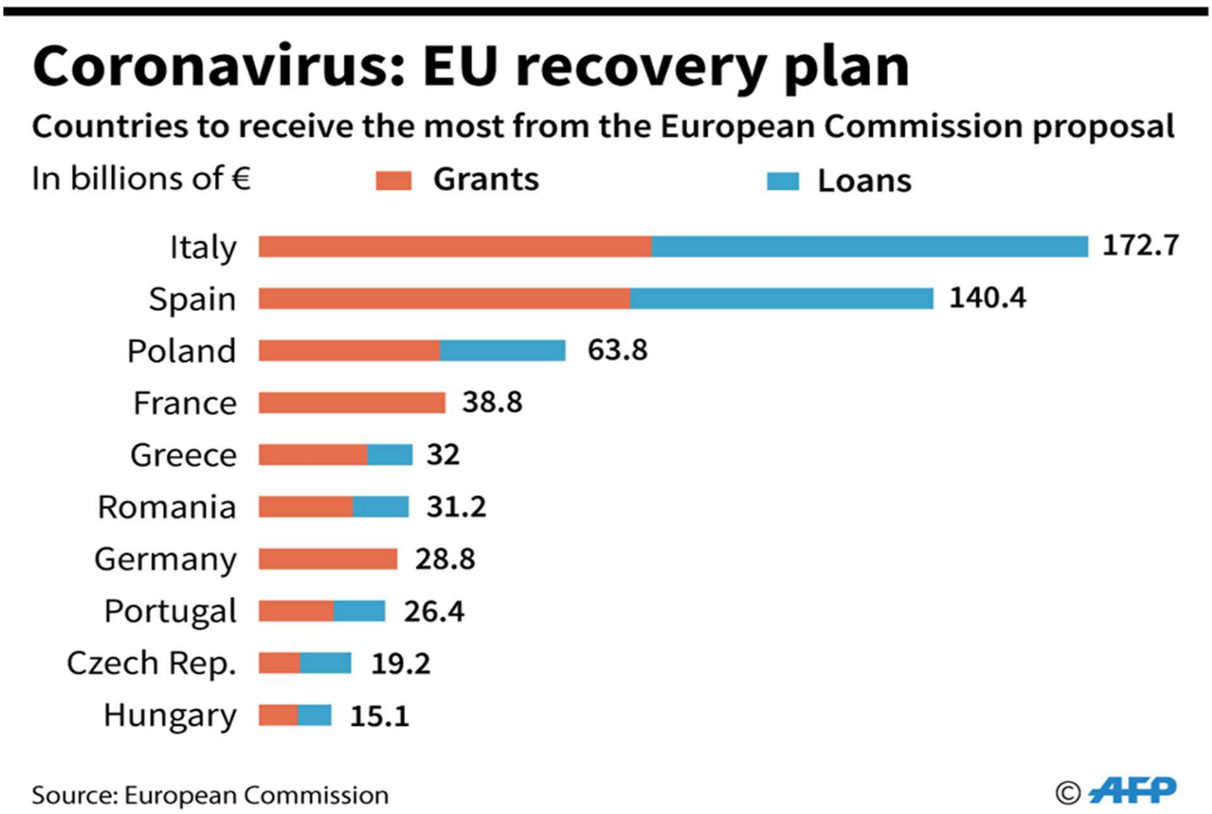


Fig. 2 Overview of the 10 main recipients benefiting from the recovery plan.

This package will complement already adopted measures like: the temporary suspension of the Growth and Stability Pact, loosening of state aid rules, the ECB's Pandemic Emergency Purchase Programme (€750bn of public and private securities during the crisis, in addition to the € 120bn programme decided earlier), SURE (100bn of loans to cover the costs related to the creation/extension of national short-time work schemes), ESM (the European bail-out fund will release €240bn to provide emergency loans to eurozone countries with only light conditionality – the money must be used to fight the direct and indirect impact of the corona crisis).

To facilitate the repayment of NGEU (by 2058), and to make the future EU budget less dependent on national contributions, the European Council announced the creation of new own resources: a levy on non-recycled plastics, carbon border adjustment, a digital tax, the use of the EU Emission Trading System, a financial transaction tax. With Member States urgently in need of substantial public resources, industriAll Europe calls on the EU to ensure that companies and individuals pay their fair share of taxes. The EU can no longer delay in combating tax avoidance, tax evasion and money laundering. A common consolidated tax base and a minimum corporate tax rate must also be added to the Council's new list.

A Brexit Adjustment Reserve will set aside € 5 billion for regions and sectors the most impacted by the UK withdrawal from the EU.

What are our priorities and points of concern?

In many ways, the deal sealed in July is an unprecedented breakthrough that will make very large financial resources available to cope with the crisis and its consequences. IndustriAll Europe strongly welcomes a recovery strategy based on investments and solidarity among Member States. From that perspective, the EU Recovery Strategy is an improvement to the toxic austerity recipes of the 2008-09 financial crisis. IndustriAll Europe urges all EU institutions and national governments to support the Recovery Plan and to ensure its timely implementation while taking into account the concerns here listed.

However, IndustriAll Europe has identified a series of issues requiring vigilance and action. We strongly encourage you to contact your governments to ask them to include the following points in the national recovery and resilience plans that they will submit to the Commission to receive funding from the Recovery and Resilience Facility (RRF). Additionally, contact also your MEPs to highlight the necessary changes that need to be made, especially in terms of including conditionality clauses in the way in which the funds from the EU MFF and NGEU will be spent. Social justice strings must be attached to public support for private companies, through guarantees on future investments, number and quality of jobs, fair taxation and the prohibition of windfall profits for shareholders and excessive executives' and directors' remuneration. Worker representatives must be involved in the close monitoring of their company's bailout plan.

The **EU recovery strategy must tackle the social consequence of the pandemic and ensure a fair recovery of the European labour market.** Workers must benefit from the recovery and not suffer again under unfair austerity. The national plans that Member States submit to the Commission must include measures and investments that create or maintain quality jobs. The end of job retention schemes (short-time work, partial or temporary unemployment etc.) and restructurings beyond what has already been announced pose the risk of massive waves of layoffs. The prolongation of these schemes for as long as necessary and the support of workers in hardship needs to be one of the main priorities in the plans. In addition, MEPs need to urgently ask for the extension of the European Globalisation Adjustment Fund which provides resources in cases of major restructurings through tailor made support for impacted worker's needs.

The timeline of the NGEU and RRF set up raises concerns that the money might only be flowing from the second half of 2021 onwards. Should this be the case, industriAll Europe is worried about a liquidity cliff, meaning a gap until the funds are ready to be used. However, there are solutions to this problem. The Recovery Facility (€26 bn) proposed by the Commission should be brought back or compensated with secured resources for profitable companies facing short term liquidity issues in 2021. The Bridge option proposed by the European Parliament should also be considered. This foresees the use of the leftover from the 2020 budget to bridge the gap until money from the recovery is available. Moreover, SURE, the mechanism put in place to support job retention schemes cannot remain a on-off mechanism, especially since the current funding is insufficient and only offers only reimbursement for schemes deployed during the first months of the crisis. Job retention schemes are needed until complete recovery is achieved.

The EU recovery strategy must give a boost to the EU industrial strategy. Contact your national governments and ask them to include in the national recovery and resilience plans the strengthening of industrial value chains. This will increase the EU autonomy, especially in strategic sectors. The RRF needs to give priority to these projects which create stable and good quality jobs. Furthermore, ask your government and MEPs to request additional support to programmes which develop and strengthen EU industrial ecosystems, projects of common European interest and EU-wide industry alliances in line with the EU long term policy objectives (including the European Green Deal and digitalisation). Additional funding is also needed for strategic programmes for the future of the EU industry such as Horizon Europe or Invest EU, especially because the agreement in July has significantly reduced the amount initially dedicated to them. However, the retroactive provisions in RRF and REACT must be removed to ensure that they will provide fresh and additional money. Lastly, the Just Transition Fund resources must be commensurate with the challenges that 2030 and 2050 climate targets entail for regions and sectors most impacted by decarbonisation.

The social partners need to be actively involved in the design, monitoring and implementation of the recovery plans. Their concerns and priorities must be used as the bedrock of these plans and drive investment where the needs and gaps exist. Ask both your governments and MEPs to stress the importance of social partners involvement in the recovery. The assessment of those plans by the European Commission within the framework of the EU Semester must ensure coherence and synergies between what is identified at national level and the EU policy objectives and instruments. This assessment should not bring austerity back on the EU political agenda. Access to the EU Recovery money cannot be made conditional to reforms that undermine workers' rights and further weaken our welfare system.