



## FIFTH REPORT ON ECONOMIC, SOCIAL AND TERRITORIAL COHESION

### "Investing in Europe's future"

#### ETUC POSITION

##### 1. INTRODUCTION

Europe 2020, the EU's new policy framework for the decade to come, was ratified by the European Council on 17 June 2010.

The Commission will be proposing a new budgetary framework for the post-2013 period in 2011, accompanied by legislative proposals on Structural Funds, including the European Social Fund. Paving the way for this, the Commission presented its Communication on "the EU budget review" on 19 October 2010.

The Commission's Fifth Report on Economic, Social and Territorial Cohesion, published on 10 November 2010, presents a range of options for future cohesion policy, all fitting into this framework.

The principles of cohesion and solidarity set forth in the Treaty constitute two of the most important pillars for integrating Peoples and Territories.

The Lisbon Treaty reaffirms these principles, stipulating in accordance with Article 174, that *"In order to promote its overall harmonious development, the Union shall develop and pursue its actions leading to the strengthening of its economic, social and territorial cohesion."*

The Treaty goes on to stress that *"in particular, the Union shall aim at reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions."* This point has gained greatly in significance since the European Union's last two enlargements.

We also want to underline the strengthened role of the European Parliament in this field.

In the opinion of ETUC, cohesion policy is not just about reducing disparities between regions, which has to remain a main target in the cohesion policy, but should also be promoting a society enjoying full employment, equal opportunities, social integration and

cohesion, thereby generally strengthening the European Social Model.

The European Council decided that the Structural Funds were the financial instruments needed for implementing the Lisbon Strategy. In this context, we consider that the European Social Fund (ESF) should be the instrument of choice for supporting the implementation of the European Employment Strategy and that it must retain this role within the Europe 2020 strategy.

Economic, social and territorial cohesion must continue to be at the core of the Europe 2020 strategy.

The Structural Funds constitute the key instruments for reducing the gap between the levels of development of the regions and the lagging behind of the less developed regions, within the framework of a strategy aiming at meeting the priorities of what is being called "smart, sustainable and inclusive growth" in the Member States, regions and territories.

The partnership principle is a mainstay here, guaranteeing the proper functioning of measures related to Structural Funds and in particular of the ESF.

It goes without saying that, in the context of the current economic crisis, the European Employment Strategy must remain at the centre of the European Union's priorities, with more funds being made available for creating more and better jobs.

ETUC considers that the lessons have to be drawn from the use of the Structural Funds to support the recovery of the European Union.

To this respect, the European Council's decision on the contribution of cohesion policy to economic recovery is to be seen as a welcome signal. Representing more than a third of the total EU budget, EU Structural Funds can indeed be seen as a funding source for meeting short-, medium- and long-term challenges.

In the same vein, the principle of additionality has to be taken again on board and more precisely defined in order to ensure that financing from the Structural funds do complete and do not replace national public financing.

## **2. THE ARCHITECTURE OF FUTURE COHESION POLICY**

As with current economic, social and territorial cohesion policy, ETUC is in favour of a strategic approach.

In this sense, we consider that the future cohesion policy Operational Programmes need to be drawn up in conjunction with national reform plans to ensure the possibility for the disadvantaged regions and populations to improve the living and working conditions, in the framework of the implementation of the Europe 2020 strategy.

In the opinion of ETUC, it is of crucial importance that priorities defined at different levels - European, national, regional and local - be consistent with each other.

On the other hand, we have to note that during the present programming period, the transnational dimension (transnationality), which was covered by the previous Community

initiatives (in particular EQUAL), are not sufficiently taken on board (given the new “mainstreaming” approach) in the implementation of the present Operational Programmes.

Consequently, the ETUC demands that the transnational dimension (transnationality) be taken again as a basic principle of cohesion policy in order to ensure not only a European approach but also and above all a more solidary approach.

It is equally essential for the social partners to be closely involved in all decision-making processes in this area, as well as in the implementation of the measures decided.

In this context, the European Social Fund must be the instrument of choice for implementing the European Employment Strategy which covers the objectives found mainly under the priority "inclusive growth - fostering a high-employment economy delivering economic, social and territorial cohesion" covering the areas and related objectives on employment, skills and the fight against poverty. This concretely means the promotion of a high-road-strategy ensuring more and better jobs. We will be expanding on this subject further down.

Furthermore, greater use needs to be made of EU Structural Funds for achieving objectives coming under the priority "smart growth - developing an economy based on knowledge and innovation", with a particular focus on the "Youth on the Move" initiative.

On the other hand, in order to optimize the use of EU Structural Funds, the links between the ESF and the ERDF need to be reinforced, as has already been the case in the context of the current economic crisis. As proof, we would point to the steps taken recently in Germany and Bulgaria.

It is equally essential to ensure improved coordination between cohesion policy and other EU policies, in particular transport policy, the Common Agricultural Policy, and energy policy, with the appropriate allocation of available matching funds as a consequence.

It is also important to ensure and strengthen the link between the different economic and social policies as well as between the different budget lines.

ETUC supports the Commission's proposal whereby all regions and all Member States would be eligible to benefit from cohesion policy, seamlessly adapting their respective strategies in line with their specific strengths and weaknesses.

As is already the case in the current programming period, the regions would benefit from differentiated support depending on their level of economic development. However that level should not be measured solely on the basis of per capita GDP. Other measurement criteria also need to be taken into account, including unemployment rates, employment and activity rates, skill levels (namely, basic or initial training and vocational training), poverty rates, and the level of well-being and social inclusion as well as the rate of school-leaving.

In the wake of the last two EU enlargements we have witnessed the statistical effect of regions previously considered as "poor", with GDP below 75% of the EU average, becoming 'rich' overnight. This is especially true given the consequences of the economic crisis that we are currently experiencing and their short-, medium- and long-term effects.

### **3. A STRONGER ROLE FOR THE ESF IN IMPLEMENTING THE EUROPEAN EMPLOYMENT STRATEGY**

In line with the European Council's decision, economic, social and territorial cohesion is to remain at the heart of the Europe 2020 strategy.

In this context the ESF must continue to be the instrument used for implementing the European Employment Strategy, with its role needing to be reinforced.

Consequently, the ESF must not be limited to the implementation of the Guidelines for employment policies such as presently defined.

In the opinion of ETUC, the role of the ESF in implementing the Social Agenda also needs reinforcing.

To this respect, it is highly important that the ESF continue to support the development of social dialogue namely by improving social partners' capacity building.

The ESF is the only Structural Fund with a direct relevance to the man/woman in the street, be he/she a worker, unemployed, excluded from society, young, old or particularly vulnerable.

The European Employment Strategy needs to be explicitly anchored in national, regional and local labour market policies, as well as in ESF objectives.

Europe needs to invest heavily in human resources - without doubt a significant competitive advantage for any society. Such investment must anticipate future social developments, while at the same time responding to the challenges of retaining and creating more and better jobs. This is to be done by developing qualifications and workplace skills, raising productivity levels in European companies, searching for innovatory and more efficient ways of work organization, through real investments in the development of workers' skills, through social integration, and by encouraging equal opportunities.

In these times of economic crisis, the European Council's decision to reinforce the ESF's role is of particular importance.

Lessons need to be drawn from the use of the ESF as an instrument supporting economic recovery in the European Union.

The future ESF needs to include such measures and priorities as:

- providing particular support for the young, older workers and the most vulnerable groups
- improving work organization by ensuring the conciliation between living and working time
- establishing labour market observatories
- encouraging the "recycling" and vocational retraining of workers, with a focus on innovation and the transition to a low-carbon economy
- improving support for SMEs, very small enterprises and "social economy" enterprises

- defining the role of training in times of crisis on the basis of discussions on the way sectors and regions will develop in the future
- improving dissemination of good practices, such as investing in training during periods of short-time working
- reinforcing social dialogue by joint training courses for social partners
- determining new sources of jobs creation namely in the activities linked to the fight against climate change.

To this respect, the ETUC considers that the measures foreseen in the framework of the European Globalization Adjustment Fund have to be included in the ESF. On the one hand, it is essential to ensure a coherence between the “curative” measures following an enterprise restructuring, which are tackled by the EGAF, and the “preventing” measures foreseen by the ESF. On the other hand, it is of the outmost important to ensure a coherence between the principles of both Funds, above all concerning partnership and particularly the involvement of trade unions.

#### **4. STRENGTHENING GOVERNANCE**

In the opinion of ETUC, the partnership principle has a key role to play in ensuring that measures related to EU Structural Funds function properly. It needs not just to remain a fundamental principle of cohesion policy, but also to be strengthened.

Structural Fund Regulations need to clearly define the partnership principle instead of just merely referring to “*current national rules and practices*”, while at the same time clearly defining the role of each partner.

High-quality partnerships need to be forged, involving the social partners throughout each Fund-related intervention phase. This aspects gains increased relevancy due to key role of the social partners in fighting the consequences of the economic crisis.

In this context, the strengthening of social dialogue is a *conditio sine qua non*. This would strengthen the role of the ESF, in line with Article 5.3 of current ESF Regulations, the clause underlining the need for social partners to build up capacities to develop social dialogue on all levels (European, national, regional, sectoral and company).

Social partners must have access to technical assistance in order to ensure not only the strengthening of social partners’ capacities but also social partners’ coordination and representation in the ad hoc committees which define and implement the Operational Programmes, on all levels.

To this respect, the ETUC considers that a stronger and much more pro-active role for the Commission, as Guardian of the Treaties, is necessary in order to ensure the implementation of the principle based on the Open Method of Coordination.

It is equally essential to develop cooperation between public employment agencies, involving the social partners, and to optimise the role played by EURES (EUROpean Employment Services). Here there must be a particular focus on EURES cross-border partnerships, within

which the social partners are working hand-in-hand with regional public employment agencies with a view to defining the proactive management of cross-border employment.

With respect to the third dimension of cohesion policy - the territorial dimension - which came to the fore with the entry into effect of the Lisbon Treaty, ETUC holds the opinion that the cohesion policy's current Objective 3 referring to cross-border, transnational and interregional cooperation needs to be reinforced.

In the same vein, regions with specific geographic and/or demographic disadvantages need more specific support. This is especially the case where regions on the EU's outer borders, the northernmost regions, island regions or mountainous regions are involved.

Macro-regional strategies also need reinforcing, as is currently the case in the Grand Région, the Baltic States or the Atlantic Axis.

In addition, the Euroregions, with their increasingly prominent role in the context of the current programming period, must be supported and need to be able to count on the participation of social partners in decision-making bodies and in the implementation of set targets.

## **5. REAFFIRMING THE EUROPEAN ADDED VALUE OF COHESION POLICY**

As with the current economic, social and territorial cohesion policy, ETUC is in favour of a strategic approach.

In this sense, we consider that future cohesion policy operational plans need to be drawn up in conjunction with national reform plans to ensure the successful implementation of the Europe 2020 strategy by aiming at solving the problems of lagging behind of the less developed regions.

With regard to the reorganisation of strategic planning proposed by the Commission and involving a range of instruments including a "common strategic framework", ETUC holds the opinion that it is essential for priorities defined at different levels - European, national, regional and local - to be consistent with each other.

It is equally essential for the social partners to be closely involved in all decision-making processes in this area, as well as in the implementation of the measures decided.

As regards the proposed "development and investment partnership contract", we are of the opinion that the role of the European Investment Bank needs to be strengthened in this context.

On the other hand, concerning the proposals presented in the framework of the reform of the EU budget having an incidence on cohesion policy, the ETUC considers that the concentration of financial resources on a limited number of priorities implies some risks linked to the underlying political will to attach the sufficient importance to employment and social policies.

And this is more especially true in the present context of uncertainty resulting from the economic crisis we are facing and which runs the risk of continuing.

ETUC shares the opinion that there is a need to improve the evaluation, performance and results of Fund usage.

In this vein, performance indicators urgently need to be defined (as we have repeatedly called for). It is also important to have both quantitative and qualitative measurement criteria. This includes the evaluation of the results in terms of efficiency of the measures taken, of the quality of the jobs created as well as of the list of the positive measures implemented to ensure social inclusion.

At the same time, as far as the European Social Fund is concerned, we have serious reservations about the implementation of an approach linking the granting of funds solely to results. Looking at employment policy and, more broadly, social policies, results are harder to measure and less visible than, for example, transport policy. The construction of a bridge or a road is clearly more visible than the results of training sessions for young unemployed. It is thus necessary to have a more precise and appropriate system of evaluation of the results.

Moreover there is also a risk of “creaming”. Indeed, when we link the granting of funds to the results, we run the risk that the projects which concern the people more remote from the labour market, and thus with less probability of reaching positive results, have less or no access to these funds.

In this respect, in our view it is important to develop efforts aimed at ensuring that the role played by Structural Funds in promoting regional development becomes visible, thereby convincing Euro sceptics of their value.

Finally, we completely reject the proposal concerning the application of financial sanctions and incentives linked to the Stability and Growth Pact in the sense that the sanctions for which Member States are responsible would penalize regions and localities. Moreover, the European solidarity, which is still not enough developed, would pay the cost of the non respect of the Stability and Growth Pact. The result would undoubtedly be the impoverishment of the populations of the European Union and thus contrary to the basic principles of economic, social and territorial cohesion policy as reaffirmed in the Lisbon Treaty.

## **6. IMPROVING THE MANAGEMENT SYSTEM**

There are a number of improvements that could be made to implementation procedures and to practical aspects involving access to Structural Funds.

These involve, for instance:

- cutting red tape before and during the programme's implementation by relaxing procedures for accessing funding, speeding up the payment system and simplifying billing and settlement procedures. To this respect, we want to underline that experiences and surveys show that social partnership leads to more transparency and better organised consultation and implementation of procedures.

- making information on funding opportunities better available particularly towards SMEs, very small enterprises and social economy enterprises which represent 80 to 90% of the industries of the European Union.

The effective use of Funds needs to be guaranteed and assessed in terms of both quantitative and qualitative results, with a need to define funding-related indicators.

## **7. COHESION POLICY IN THE POST-2013 EU BUDGET**

Constituting over one third of the EU's total budget, the EU Structural Funds are the financial instruments for carrying out an active economic, social and territorial cohesion policy while strongly contributing to the implementation of the Europe 2020 strategy.

We consider that they must not just retain this role but also that they need strengthening. This applies in particular to the ESF, still the poor relation.

In the context of the consultations launched by the Commission on the EU budget review for the post-2013 period, ETUC considers that, if we want to achieve the ambitious objectives set in the Europe 2020 strategy and meet the many additional challenges caused by the continuing economic crisis, Europe must have the political will to decide to increase the EU's General Budget in the post-2013 period.

What is at stake is the survival of our European Social Model envied by so many nations.

\*

\* \*