



# *Sustainable growth for all: choices for the future of Social Europe*

[Employment and Social Developments in Europe 2019](#)

#ESDE2019 Dissemination Conference

27 September 2019, Brussels

**DRAFT PROCEEDINGS: main messages and discussion points by session**

(full webstreaming available [here](#); documents and presentations available [here](#))

9:00 – 10:45

## Welcome and opening session

### Sustainable growth for all: choices for the future of Social Europe

*This session presented the main findings of the 2019 edition of the Employment and Social Developments in Europe (ESDE) review, which focuses on the topic of sustainability in its economic, social and environmental dimensions, including the employment and social impacts of climate change policies. The panel discussed the broad policy implications of the main ESDE findings, with a focus on sustainable growth and just transition, the social dimension of sustainable development, and the role of investment, innovation, public policies and social dialogue.*

Moderator: Tamsin Rose (Facilitator; Senior Fellow, Friends of Europe; Director, Tamarack)

#### Welcome remarks

- Luca Jahier (EESC President)

#### Opening speech

- Marianne Thyssen (European Commissioner for Employment, Social Affairs, Skills and Labour Mobility)

#### Highlights of ESDE 2019

- Barbara Kauffmann (Director for Employment and Social Governance, DG Employment, Social Affairs and Inclusion, European Commission)

Panellists:

#### Panel discussion and Q&A

- David Hegarty (Assistant Secretary, Department of Business, Enterprise and Innovation; Member of the National Competitiveness Council, Ireland)
- Lucas Chancel (Professor, Sciences Po, Paris; Co-director, World Inequality Lab, Paris School of Economics; Institute for Sustainable Development and International Relations, Paris)
- Ludovic Voet (Confederal Secretary, ETUC)
- Rebekah Smith (Deputy Director for Social Affairs, BusinessEurope)
- Carina Autengruber (European Youth Forum President)

## **MAIN MESSAGES – IN A NUTSHELL:**

*The EU public opinion in general and the European youth in particular expect policy-makers to accelerate the pace at which they address the climate and environmental challenges as well as the persistent inequalities in the labour market and social domains, which were exacerbated by the crisis. The EU anticipated the need for policy change, spearheading coordinated action towards sustainability globally, while the new leadership of the European Commission has shown the resolve to raise policy ambition up to the level of climate neutrality without leaving anybody behind.*

*To this end, there was widespread agreement on the need of integrating social and environmental concerns in the design of all economic policies. Opinions also converged on the urgent need for diverse investments to transition to a sustainable development model. However, there was divergence of views on whether the resources for the necessary investments should come from future growth or from existing wealth.*

## **MAIN MESSAGES – SPEECHES AND PRESENTATION:**

- The global and EU political contexts create a high momentum to step up global and EU's efforts on sustainable development.
- Fighting for sustainable development is no longer an option but “an imperative that cannot be postponed.”
- The transition to a climate neutral economy carries great opportunities for workers, businesses and citizens, and a chance to improve quality of life, social inclusion and job creation.
- The idea that social progress and economic growth do not contradict, but reinforce each other is at the heart of the European Treaties and the foundation of the social market economy.
- The EU can have a successful transition only if it is a just transition. Achieving this means modernizing EU labour markets and social protection systems and ensuring people have the right (green, digital, soft) skills and the possibility to upskill and reskill, so they can get jobs and companies can grow
- Climate policies must be economically viable and socially acceptable and sustainable. The costs and benefits of climate policies should be shared equitably.
- Sustainability must be driven by strong political resolve. The outgoing Commission managed to bring back the “social” in EU policies, to demonstrate that Europe works for people and invests in them. The incoming Commission has to ensure the implementation of what was decided under the previous mandate and to deliver on more ambitious policy guidelines set by the President-elect, including a Sustainable Europe Investment Plan, a Green Deal, gender equality, better opportunities for all and fundamental rights – an agenda that is very close to the priorities of the EESC.
- The European Green and Social Deal should be part of an overarching, long-term strategy on sustainable development with a clear implementation plan and adequate financing.
- Many tools at EU level can promote the fair transition:
  - The European Pillar of Social Rights, which fosters sustainability by creating upwards convergence in Europe and empowering people to prepare our societies ready for the new world of work.
  - Economic and energy policy coordination.
  - European structural and investment funds.
  - The European Globalisation Fund.

- Skills and lifelong learning policies, to prepare people for the green labour market.
- Social dialogue and the collaboration with social partners, as in the “Coal Regions in Transition” initiative, in which now 18 coal regions are working together to reduce the negative effects of transition.
- Synergies can be further achieved by developing a more coherent framework for social and sustainability indicators, including by combining the principles of the Social Pillar with the Sustainable Development Goals.
- The EU enjoys its seventh consecutive year of economic & employment expansion, with record employment and unemployment rates and employment levels. Nonetheless, persistent challenges include large disparities between MS in labour market and social situation performances and still high youth and long-term unemployment rates.
- Although the EU is a leader in setting the sustainable development agenda, its path to sustainable growth and development depends on how well it will overcome challenges such as: a) the uneven socio-economic developments spawned by the crisis and persistent inequalities; b) chronically sluggish productivity growth; c) balancing fairly short-term costs vs. long-term benefits of the transitions and finding the means to incentivize the necessary (green & social) investments, and d) controlling and smoothing the unequal employment, social and distributional impacts of megatrends (technological change, ageing, globalization and climate change).
- To overcome these challenges the EU needs a good mix of policies, integrating all dimensions of sustainability upfront, and governance structures that keep this integration effective and up-to-date. Such integrated policies need to a) improve efficiency in the use of existing resources, i.e. achieve higher total factor productivity growth; b) increase and better target social investment, and c) put in place regulatory frameworks and investment that accelerate a just transition towards a climate-neutral economy.

#### **MAIN MESSAGES - DISCUSSION:**

- Young people in Europe do not appear optimistic about the future because of developments on both the environmental and social fronts. They deem climate action insufficient, increasing wealth concentration unfair and welfare systems unfit for the reality of today’s young workers. Therefore, the integration of social and environmental objectives in all economic policies is something they not only agree with, but also insist on. Among other, they would support policy reform along the lines the Commission has proposed, such as linking welfare systems to individuals as opposed to jobs.
- Massive, targeted and urgent investment is necessary to finance the systemic shift the EU wants. Despite available means, funding so far falls short of the goal. If the New Deal in the US is a measure of comparison, the fact that it was equal to 40% of GDP indicates the measure of the gap between words and deeds today.
- Governments need to lead the way with investments in physical and social infrastructure as well as in knowledge capital (R&D, human capital).
- Fair taxation (on wealth, capital and labour income) with revenue recycling into social and environmental goals is essential to sourcing the necessary finance.
- To the same end, the tax competition between MS and - to the extent possible- globally, should stop.
- Necessary resources for investments should come from additional growth.
- Tapping into the existing accumulated wealth is perfectly legitimate considering the ambition of objectives and investment needs to promote sustainability.
- On the international dimension of the transition, trade policy should also come

into play as a tool to achieve sustainability objectives, among other by promoting Europe's high social standards globally. In this respect, strengthening sustainability chapters in trade agreements by bolstering the enforceability of their provisions is crucial.

- A border carbon tax should be seriously considered as an additional measure to mitigate the adverse environmental and social impacts of trade.

11:00 – 12:15

## Thematic Session 1

### Economic sustainability: enabling sustainable and inclusive growth

*Planetary and other boundaries and new scarcities may require a re-design of economic growth, away from relying on the expansion of factor input, towards higher efficiency in the use of productive factors, notably through innovation and research. The session considered the questions: How can we foster innovation and promote faster diffusion of existing technologies? What role do social dialogue and social policies play for improving total factor productivity?*

Moderator: Tamsin Rose

Introduction: Brief introduction based on **ESDE findings** by authors [10']

Panellists: **Panel discussion and Q&A**

- Ilze Zvidrina (Labour Market Policy Department, Ministry of Welfare, Latvia; Chair of the Employment Committee, EMCO)
- Eric Bartelsman (Professor, Vrije Universiteit Amsterdam; General Director, Tinbergen Institute)
- Ana Fontoura Gouveia (Economic Research Department, Banco de Portugal; Universidade Nova Lisbon)
- Özlem Onaran (Professor, Greenwich University; Director, Greenwich Political Economy Research Centre)
- Armando Garcia Schmidt (Senior Project Manager 'Shaping Sustainable Economies' and 'Inclusive Productivity', Bertelsmann Foundation)

#### **MAIN MESSAGES – IN A NUTSHELL:**

*Given the technological and demographic trends, as well as pressing planetary boundaries, economic growth in Europe will increasingly rely on more efficient use of factor inputs and growing productivity. The rate of technological change will crucially depend on the investments in research and innovation, and human capital. A diffusion of existing technology from high-productivity regions to the ones lagging behind is necessary.*

*Investments in physical, social and digital infrastructure are key elements driving the productivity growth and allowing less productive companies to catch up with companies at the technological frontier.*

#### **MAIN MESSAGES – PRESENTATION:**

- Given the limitations on factor inputs due to demographic ageing and planetary boundaries, growth in the EU has to rely increasingly on changing the modes of production and consumption and on a more efficient use of existing resources. The efficiency aspect of growth is reflected in Total Factor Productivity (TFP).
- TFP growth in the EU has been lower than in other major economies. Its increase in 1995-2020 is estimated at 19% in the EU, compared with 24% in the US.

- There is considerable dispersion in TFP performance both between and within Member States as well as between sectors and companies of different size. In particular, Europe's South and East lag behind the TFP frontier, represented by the firms with the highest TFP.
- The further away a region is from the so-called "technology frontier", the higher tends to be its TFP growth, and hence the faster its convergence. At the same time, a region's TFP growth potential depends on its capacity to adopt new technologies from advanced, "technological benchmark" regions, and this in turn depends on the skills of the workforce.
- Innovation based on R&D, human capital and efficient institutions drives up TFP in European regions as well as in firms, producing a higher-wage dividend for workers, too.
- Reducing market imperfections and completing the Single Market are one of the ways to improve TFP.

#### **MAIN MESSAGES - DISCUSSION:**

- The EU and member States will need to scale up investment in both physical infrastructure and in human capital. The measure of the financial effort to be made should be neither exaggerated nor underestimated but it should be much higher than what is available today.
- Productivity growth has traditionally concentrated analytical attention also because it is linked to wage growth. However, there is an observed trend of growing disconnect between productivity and wage growth that led to declining wage shares and amplified inequalities. The EU is the appropriate level for policy intervention to restore the broken link between productivity and wage growth.
- Productivity growth in the EU as well as globally is being decelerated because it is not inclusive but due to the top firms, without sufficient and fast enough diffusion to the overwhelming majority of firms below. Among other, this is happening because highly innovative markets like the digital one are being increasingly monopolised due to network effects. This in turn creates a disparity between digital platforms that are at the technological frontier and benefit from high productivity growth and other sectors and companies that are lagging behind. Support for SMEs, particularly through access to physical and digital infrastructure, is needed to allow them to catch up with high-productivity companies.
- While GDP growth is more or less aligned with most alternative ways of measuring economic and social growth or human well-being, this was not the case during transition turbulent times, i.e. times of rapid change such as the present. Therefore, policy during such 'transition times' should be guided by alternative measures of development with emphasis on social and environmental well-being. A use of comprehensive social well-being indicators was proposed.
- The distribution of future gains in productivity growth is another important question for policy. There was broad agreement that thanks to efficiency gains, economic activity can be redirected towards the social domain (education, healthcare, care work, sports, and culture). The idea of working-time reduction was also raised.

*Social policies and social investment can raise activity, employment and productivity, while alleviating unfavourable social situations and enhancing sustainability and upward convergence. The session discussed the role of investment in childcare and long-term care provision for equal opportunities and the labour market participation of women; the role of retraining and upskilling for managing labour market transitions and mobility; and the role of affordable housing and housing policies for sustainable growth and development.*

Moderator: Tamsin Rose

Introduction: Brief introduction based on **ESDE findings** by authors [10']

Panellists: **Panel discussion and Q&A**

- Rait Kuuse\* (Deputy Secretary General on Social Policy, Ministry of Social Affairs, Estonia; Chair of the Social Protection Committee, SPC)
- Maurizio Bussolo (Lead Economist, World Bank)
- Anton Hemerijck (Professor, European University Institute (EUI), Florence)
- Olga Strietska-Ilina (Senior Skills and Employability Specialist, Employment Policy Department, ILO)
- Cédric van Styvendael (President, Housing Europe; Director-General, GIE *La Ville Autrement*, Lyon)

#### **MAIN MESSAGES – IN A NUTSHELL:**

*Social investment policies are instrumental to attaining social and economic sustainability. They play a dual role of alleviating unfavourable social situations, while boosting economic activity, employment and productivity.*

*The main challenge ahead is to ensure adequate financing for the social policies and redefining their role not as a cost or burden on the public finances, but as a productive investment.*

#### **MAIN MESSAGES – PRESENTATION:**

- European welfare systems provide ample proof that social investment policies can be productive and contribute to economic growth. Key policy fields of social investment include enabling services such as high quality early childhood education and care (ECEC), education and training or active labour-market policies and social services.
- Countries with greater use of childcare exhibit higher employment rates of mothers. High childcare costs may affect mothers' labour supply decisions by discouraging them from working. Mothers' incentives to enter employment are determined not only by the wages they receive in work, but also by the amount they lose in higher taxes and lower benefits, and by the childcare costs they may incur if they no longer care for their children themselves.
- Investing in childcare policies by lowering childcare costs has a positive effect on the use of childcare, the labour market participation of women as well as on the cognitive skills of children.
- Investment in education and training yield significant returns for workers, the economy and society. Higher qualifications have important individual and social benefits, yet education expenditure is falling behind policy ambition.

- Housing costs are a major expense for households and may be a budget constraint for access to childcare or other enabling services. While, on average, housing costs and financial overburden have declined in the EU, housing affordability is a vexing issue for tenants and single parents, notably in cities.

#### MAIN MESSAGES - DISCUSSION:

- Social investment, investment in social housing and human capital should not be seen as a burden on growth, but a productive, growth-inducing investment.
- Reversely, there is increasing evidence that insufficient investment in areas such as education and skills (including reskilling of the workforce to address both skill gaps and overqualification) or childcare cause labour market inefficiencies, which are putting the brakes on the growth potential of specific sectors and regions. Research has shown that social protection and social investment are complementary, and there is no evidence of crowding out.
- Public/social housing providers should perform better to support the energy transition (compared to better performance of private providers in building new stock, but not in retrofitting). Housing policies should not increase further rural-urban disparities, with housing investment programmes focusing on cities to the detriment of rural areas.
- The Member States need to standardise their understanding and definition of the welfare state to ensure some minimum standards and agree what the growth-enhancing policies are. Only on this basis can we have a consistent assessment of investment gaps across Member States and of how to finance them.
- Members of the audience called for:
  - an ambitious, enforceable EU initiative to fight poverty and inequalities going beyond monitoring of selective targets based on indicators, and;
  - attention to broader policy areas in order to reduce inequality, including taxation policy, to reverse the reduced progressivity of the last decades, the narrowing of the tax base, high and regressive indirect taxation, etc.

13:30 – 14:45

### Thematic Session 3

#### Environmental sustainability: mitigating social impacts of climate action

*Climate action has an impact on the economy and on employment, income and skills, and the transition to a low-carbon economy is not inclusive by default. Climate-related investments bring long-term, universal benefits while having short-term, mainly concentrated costs. The session considered the following questions: What are the policies that would have a beneficial impact on both the environment and people and help gain public support? How can related costs be shared fairly? How can risks be mitigated? How effectively have social dialogue and civil society actors helped to promote new, sustainable forms of production and consumption?*

Moderator: Tamsin Rose

Introduction: Brief introduction based on **ESDE findings** by authors [10]

Panellists: Panel discussion and Q&A

- Bjørn Hvinden (Professor, Oslo Metropolitan University; former Director, Norwegian Social Research (NOVA))
- Piotr Lewandowski (President, Institute for Structural Research (IBS), Warsaw; Research Fellow, Institute of the Future of Labor (IZA), Bonn)

- Domenico Campogrande (General Secretary, European Construction Industry Federation (FIEC))
- Livia Spera (acting General Secretary, European Transport Workers' Federation (ETF))
- Breda Kutin (President, Slovenian Consumers' Association)

#### **MAIN MESSAGES – IN A NUTSHELL:**

*The transition to a climate-neutral economy as the cost of inaction will be too great for MS economies, but the success of the transition has many caveats. The expected impacts of the transition on growth, employment and well-being are overwhelmingly positive but they depend on a number of conditions, so they cannot be taken for granted, not even for the sectors where our best projections tell us that the effects will be most positive.*

*This said, no other major economy is better prepared to manage this transition. A big part of this preparation is thanks to our welfare states. Ultimately, the European welfare states may be the best tool for managing the just transition to climate neutrality.*

#### **MAIN MESSAGES - PRESENTATION:**

- Climate inaction is not an option: estimates of only six types of impacts already show a loss up to 2% of GDP annually and more than 4% in Southern Europe if no action is taken.
- People support action towards the transition but policy makers need to tread a fine line: most Europeans feel personal responsibility for climate change but less than one-third support fossil fuel tax.
- Overall 2 million jobs are expected to be created by 2050 due to climate action. Not everyone will be equally affected: coal and oil industries will face job losses and energy intensive industries and automotive manufacturing will have to restructure. Reskilling will be crucial.
- Just transition to carbon neutral economy will require diversification of the economy, retraining and upskilling, mobility schemes, energy efficiency, social benefits and social housing measures, but also funding sources for investment.
- Energy poverty affects both low-income and middle-income families. For transition to the carbon neutral society, energy efficiency measures, in particular in the vulnerable households, will be key!
- Social partners' active engagement will be crucial in ensuring a just transition to a carbon neutral economy.

#### **MAIN MESSAGES – DISCUSSION:**

- The positive impact on employment depends on assumptions such as increasing investment in the green economy and the ability of the workers to transition between sectors fast. However, experience of past transitions, such as those the Polish regions underwent in the 1990s and early 2000s (for other reasons) suggest that there will be frictions.
- The more diverse the industrial structure of a place, the easier the transition. In cases of excessive concentration of employment in a single sector, transitions can be painful for labour. Therefore diversification through creation of new (and multiple) “engines of growth” and the retraining of labour needs to precede the beginning of the transition in the regions with the biggest concentration of concerned industries dependent on high-carbon use.
- Social protection needs to adjust to cover a new type of risks arising from this transition. The first thing is to protect the welfare state from budgetary cuts. The



reason is that every new report of the scientific experts raises the stakes of failing to act on climate change and environmental degradation.

- Not all prior and existing EU policies have facilitated the transition. For instance, this is the case of the liberalization of transport and freight policies in the EU. This makes changing the attitudes of workers and consumers in the transport sector more difficult. For example, the liberalization of coaching services have moved consumers away from train transport.
- The construction sector, which is expected to be one of the big employment winners of the transition, exemplifies how this positive impact is still conditional on a number of actions. This is because the construction sector in the EU is typically populated by small-size firms. In turn, small scale is a brake on the ability of firms to take all the measures (investment in both human capital and new equipment and materials) that would allow them to benefit fully from the transition. This is why the role of the legislative framework, in its minute details, can be crucial in incentivizing the right measures by raising the bar but not beyond what is technically feasible. This, too, requires excellent policy coordination.

16:15-16:30

### Closing session/remarks

### Sustainable growth for all: choices for the future of Social Europe

- Peter Schmidt (President, EESC Sustainable Development Observatory)
- Joost Korte (Director-General, DG Employment, Social Affairs and Inclusion, European Commission)

#### MAIN MESSAGES - SPEECHES:

##### *Peter Schmidt:*

- All participants agree on the urgency of the transition but the implementation lags behind. This is because interests diverge, at least between those of labour, businesses and civil society.
- The first task and priority from the view of labour representation is to save jobs and create new ones. This is a difficult task because the greatest input into policy-making is typically given by business representation.
- Uneven influence is important also for the question of cost sharing. For instance, if the wealth of just the richest individuals in the EU were taxed, then there would be a lot less debt in Member States. Instead, current policies tax working people and subsidise large multinational companies. If we do not address such uneven treatment, if we do not tax large-scale profiteers instead of small-scale earners, people will not follow the EU institutions along the transition.
- The regulatory framework is important in fostering the right kind of transition and avoiding both over-regulation and under-regulation.
- Competition that is too focused on quantitative aspects leads to a race to the bottom, inducing price and social dumping. We need to re-focus competition on quality.
- This is why we need a new Green and Social Deal.

##### *Joost Korte:*

- The EU has what it takes for the two large transitions it needs to affect, namely the digital transition and the transition to climate-neutrality. However, the costs and benefits of transition will differ greatly from person to person, industry to industry and region to region. Without policy intervention, some of them stand to

win a lot and other to lose a lot. We therefore need policy intervention to make this a just transition.

- Social policies are key to a just transition. The incoming Commission intends to prioritise a strong role for social policies by implementing the European Pillar of Social Rights with an Action Plan. This will guarantee access to essential services like energy, transport and housing; it will ensure social protection for all; and it will boost skills to help people thrive and businesses grow.
- Social policies are not the only key to a just transition. We need to integrate social objectives into all EU policy areas, including education, taxation, agriculture and fisheries, energy-efficient upgrades of the EU's housing stock, and finance.
- Climate action is at the very top of the incoming Commission's agenda. As an Executive Vice-President, Frans Timmermans will coordinate input from all relevant policy areas under a European Green Deal, comprising:
  - Europe's first climate law, to enshrine into law the goal of climate neutrality by 2050;
  - a European Climate Pact, a joint pledge, to change behaviour for the better;
  - an Industrial Strategy to become a Circular Economy world leader;
  - a Biodiversity Strategy;
  - a Farm to Fork Strategy on sustainable food;
  - a Sustainable Europe Investment Plan, which will tap into private finance to support 1 trillion euro of investment over the next decade;
  - a Just Transition Fund, to support the most affected regions and people.
- EU and Member States need to move together, quickly, comprehensively and based on facts. Our analytical tools should match the ambition of the climate-neutrality goal. ESDE brings comprehensive analysis of economic, social and environmental dimensions of sustainability. EMPL services will continue to deepen this analysis, for instance on the distributional impacts of climate policies and the quality of the green jobs.
- We can only move ahead if we work together, which is why conferences like this are important. People from the worlds of academia, government and social partner organisations can meet face to face and discuss the way ahead.

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### Conference website and webstreaming:

<https://ec.europa.eu/social/main.jsp?catId=88&furtherEvents=yes&eventsId=1478&langId=en>  
<https://www.youtube.com/watch?v=04utrKkuOoA&feature=youtu.be>

### Photos of the event:

<https://www.flickr.com/photos/socialeurope/sets/72157711083365262>

### Twitter:

#ESDE2019

@EU\_Social; @EU\_Commission; @mariannethyssen; @EESC\_SOC

### Further information:

[2019 Employment and Social Developments Review](#)

[Press release](#): Tackling climate change can be a driver for growth and jobs

[Factsheet](#): ESDE 2019: Zooming in on the social impact of climate change  
[Employment and Social Analysis section on the EMPL website](#)