European Economic and Social Committee

"Towards a more resilient and sustainable European economy"

Civil Socity Days 2019
13 June

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RESILIENCE: CONCEPT AND ELEMENTS

- "Economic resilience is the ability of a country to withstand a shock and recover quickly to its potential [growth] after it falls into recession."
- European Commission, 2017.
- Three elements:
  - vulnerability to shocks,
  - shock absorption capacity [Reallocation of resources],
  - ability to recover (quickly) after a shock: convergence, return to equilibrium or transformation.

ONLY AN ECONOMIC CONCEPT?

- For some: yes
  - those who do not care about the quality of employment or the distribution of wealth and well-being.
- But not for the EESC.
- It would seem incredible but in the rich countries of the world there are high inequalities.
- In the OECD (in 2017): the life expectancy of the group with the highest level of education is nine years higher than that of the group with the lowest level of education.
  - Martine Durand, OECD Chief Statistician, EESC Hearing.

ECONOMIC AND SOCIAL RESLIENCE AND SUSTAINABILITY

- Economic factors must be evaluated and acted upon to reduce vulnerability and strengthen their ability to resist and adapt to shocks:
  - growth of GDP and employment, financial stability, debt, taxation, etc.
- But also: quality of employment, social protection, levels of poverty and social inequality.
- There are more political resilience factors:
  - Good governance,
  - Effective functioning of the administrations,
  - Quality and effectiveness of collective bargaining,
  - Participation of workers in companies.

STABILITY OF PUBLIC FINANCES - TAX SYSTEM

- When we talk about taxation, some will think mainly about eliminating the public deficit.
- From the EESC´s perspective, we must do so to in order to ensure:
  - the sufficiency of public resources for high levels of social protection and quality public services,
  - sufficient public investment,
  - and to fight effectively against fiscal fraud, money laundering and tax havens.
- That is, the tax system as an instrument for distribution of wealth.
- As a factor of resilience, the stability of public finances / sufficiency of tax revenues cannot be addressed outside the political economy.

STRUCTURAL AND POLITICAL FACTORS OF RESILIENCE: AN EXAMPLE

- The study of the different behaviors of the countries in the face of the crisis, in terms of resilience and economic and social convergence, cannot be made without considering the impact of the policies applied.

- An example concerning the labour markets:
  - Germany, industrial sector:
    - collective bargaining,
    - participation of workers in the management of the company,
    - application of the “Kurzarbeit” (worktime reduction),
    - does not increase unemployment,
    - limits unemployment insurance costs.

STRUCTURAL AND POLITICAL FACTORS OF RESILIENCE: AN EXAMPLE (II)

- **Spain:**
  - precarious employment,
  - ease of dismissal,
  - increases unemployment due to the crisis,
  - increase budgetary and social costs,
  - reduces demand,
  - does not reduce the deficit ...
- The labor reform of 2012 in Spain, driven by EU institutions, under pressure from the German government, sharpened these processes and sought the devaluation of wages as an element of competitiveness.
- Spain does not recover by the labor reform / extreme austerity before 2015 (change of policy of the EC).

RESILIENCE AND SUSTAINABILITY

- Sustainability and Resilience concepts that can be intertwined:
  - Economic, social and environmental resilience.
  - Economic, social and environmental sustainability.
- The changes that must be promoted to strengthen the resilience of the economy and of societies and to guarantee their sustainability must be taken into account by each other, but following their own programmes.

PRIORITIES OF THE SUSTAINABLE ECONOMY

- Absolute priority of European policy to achieve climate objectives and move towards a green and circular economy.
- Paris Agreements.
- Compliance with the SDGs in 2030.
- 2050: climatically neutral economy: net zero balance of emissions of greenhouse gases.

FAIR TRANSITIONS GREEN AND DIGITAL

- The strengthening of economic and social resilience must culminate in a phase of transformation of the economic model:
  - Towards a green and climate neutral economy.
  - Towards a digital economy.
- With fair transitions for workers:
  - new jobs,
  - training,
  - relocation,
  - Protection.
- With labor and fiscal regulations that prevent labor abuses, precarious employment and tax fraud and avoidance.

A GREAT INVESTMENT EFFORT

- We must overcome the investment deficit:
  - Investment is still 2 percentage points of GDP lower than 2018.
  - Germany and others: net rate of public capital formation is negative!!
- Clean and renewable energies. We are observing a setback!
- Sustainable transport, communication and digital infrastructures.
- R + D + I.
- Education and professional training.

A GREAT INVESTMENT EFFORT (II)

- Social protection: including supplementary European unemployment insurance.
- Social investments: Fulfilling the objectives of the Gothenburg Declaration on the European Pillar of Social Rights.
- Review of the Multiannual Financial Framework (MFF) 2021-2027 in line with what the European Parliament, EESC and Committee of the Regions have claimed:
  - expenses and incomes of the next EU budgets should be 1.3% of the GNI.