

# CHAPTER 1: Economic, industrial, and social policy

## 1.1. Economic and social outlook

2024 was a second year of stagnation in the EU economy after the post-pandemic ‘V-shaped’ recovery. EU’s real GDP grew by 0.9 percent in 2024 against 0.4 percent in 2023 (0.8 percent and 0.4 percent respectively in the euro area). Germany, Ireland, Austria, Finland and Estonia, experienced their second consecutive year of negative growth, while the rates in the remaining EU countries were sluggish. Only in Spain, Poland, Malta, Croatia and Cyprus was GDP growth relatively high (Table 1.1). With inflation at 2.6 percent in the EU and 2.3 percent in the euro area as opposed to 6.4 percent in 2023, the disinflation that commenced at the end of 2022 – largely driven by a reduction of energy prices - continued in 2024.<sup>1</sup>

The main cause of economic stagnation in 2024 was a contraction of private investments. These decreased for the first time since 2020, by 3.8 percent (in volume).<sup>2</sup> Investment in equipment contracted by 2.2 percent in the EU as a whole and 2.9 percent in the euro-area, while that in construction contracted by 1.5 percent and 1.4 percent. By contrast, public investments increased substantially by 4.9 percent. Stimulated by EU funding from the NGEU and other financial instruments, this compensated for the contraction in private investments, but did not lead to a net stimulation of the latter.

---

<sup>1</sup> All figures in this paragraph come from: European Commission (2024, November). *European Economic Forecast, Autumn 2024*, Institutional Paper 296, Luxembourg: Publications Office of the European Union.

<sup>2</sup> Own calculations based on AMECO online data on gross fixed capital formation (GFCF) at current prices and GDP deflator figures published in *European Economic Forecast Autumn 2024*, Statistical Annex, Table 15, p. 189. All investment figures in this paragraph refer to change in volume.

**Table 1.1: Basic EU economic and social indicators, 2024**

Region	Country	Real GDP - percent change on preceding year	HICP annual average percent change on preceding year	Unemployment - Number of unemployed as percent labour force	Real compensation of employees per head - percent change over preceding year	Ratio of Top 20 percent to bottom 20 percent of income earners (2023)	Net lending (+) or net borrowing (-), general government as percent of GDP	Gross debt, general government as percent GDP
	Euro area	0.8	2.4	6.5	1.8	4.70	-3.0	89.1
	EU	0.9	2.6	6.1	2.2	4.68	-3.1	82.4
Nordic	Finland	-0.3	1.0	8.2	-1.0	3.78	-3.7	82.6
	Denmark	2.4	1.3	5.8	2.3	4.13	2.3	31.0
	Sweden	0.3	1.9	8.5	2.1	4.72	-1.9	32.8
Western Europe	Austria	-0.6	2.9	5.3	3.8	4.28	-3.6	79.5
	Belgium	1.1	4.4	5.6	0.9	3.38	--4.6	103.4
	France	1.1	2.4	7.4	0.5	4.66	-6.2	112.7
	Germany	-0.1	2.4	3.3	2.0	4.44	-2.2	63.0
	Ireland	-0.5	1.4	4.4	0.6	3.88	4.4	41.6
	Luxembourg	1.2	2.3	6.0	0.8	4.80	-0.6	27.5
	Netherlands	0.8	3.2	3.7	3.0	3.88	-0.2	43.3
Southern Europe	Cyprus	3.6	2.2	4.9	2.2	4.30	3.5	66.4
	Greece	2.1	3.0	10.4	1.5	5.25	-0.6	153.1
	Italy	0.7	1.1	6.8	2.8	5.27	-3.8	136.6
	Malta	5.0	2.5	3.2	1.3	5.44	-4.0	49.8
	Portugal	1.7	2.6	6.4	3.7	5.64	0.6	95.7
	Spain	3.0	2.8	11.5	1.7	5.53	-3.0	102.3
Eastern Europe	Czechia	1.0	2.7	2.6	3.1	3.44	-2.5	43.4
	Estonia	-1.0	3.6	7.5	2.7	5.40	-3.0	23.2
	Latvia	0.0	1.2	6.7	7.9	6.17	-2.8	48.1
	Lithuania	2.2	0.9	7.5	7.0	6.34	-2.0	38.3
	Slovakia	2.2	3.1	5.5	3.7	3.62	-5.8	58.9
	Slovenia	1.4	2.1	3.5	4.9	3.34	-2.4	67.1
	Bulgaria	2.4	2.5	4.3	8.2	6.67	-2.6	24.5
	Croatia	3.6	4.0	5.1	8.2	4.92	-2.1	57.3
	Hungary	0.6	3.8	4.5	8.3	4.51	-5.4	74.5
	Poland	3.0	3.8	2.9	7.4	4.07	-5.8	54.7
	Romania	1.4	5.5	5.5	7.2	5.84	-8.0	52.2
Non EU	UK	1.0	3.1	4.3	2.2	6.2 (2021)	-4.4	103.6 (2022)
	Japan	0.2	2.5	2.6	1.3	6.4 (2021)	-5.4	245.5 (2021)
	USA	2.7	2.9	4.1	1.9	8.6	-7.4	121.3 (2022)

Source: European Commission (2024). For quintile share ratio and general government gross debt as a percentage of GDP, Eurostat and OECD online databases and OECD, *Government at a Glance 2023*.

Private investments decreased in 2024 in the EU in part because of the high economic uncertainty and risks associated with exacerbating geopolitical tensions (most notably due to the wars in Ukraine and the Middle East) and political instability in the United States. ECB's aggressively anti-inflationary monetary policy was the second major cause of the contraction in private investments as interest rate increases have sharply raised borrowing costs. Finally, the erosion of the purchasing power of the popular classes during the cost-of-living crises has kept private consumption and domestic demand under a tight rein and inhibited private investment decisions. These are in part the consequences of the failure of EU diplomacy and an unwarranted concern with so-called 'second-round effects' of wage-push inflation that never materialized, both of which were critiqued in the 2023 and 2024 Euromemoranda.

Economic stagnation led to a deceleration of employment growth (0.8 percent in 2024 against 1.1 percent in 2023) and halted the downward post-pandemic trend of the unemployment rate. Despite this, in the second quarter of 2024, the EU-average employment rate of the 20–64-year-olds stood at a record-high level (75.8 percent) while the unemployment rate was at a comparatively low 5.8 percent. Moreover, in 2024, real wages in the EU recovered from the decrease of 2.7 percent between 2021 and 2023, and increased by 2.2 percent. Although employment and real wage growth contributed to a rise in household income, private consumption expanded by only 1.2 percent.

Growing labour demand has increased employment rates in the European labour markets in recent years, leading to some labour shortages. But job growth has not been equally favourable to all groups in the labour force. Differences in employment and unemployment rates across groups have increased, placing women, young people, the low skilled, third country nationals and the disabled in a disadvantaged position in the labour market. In-work poverty, which has been constant and persistent over the last decade, remains a particularly big problem, as pointed out in last year's Euromemorandum.

Fortunately, job creation in recent years has largely been in standard employment. However, although the shares of part-time and temporary workers in the EU in 2023 were much lower than in 2019 and those of employees working long or atypical hours were smaller than in 2014, when looking at a longer time span, it is clear that there has been an increase in the variety of types of work arrangements and contract types other than the standard full-time open-ended labour contract. These include the bogus and vulnerable solo self-employed, platform workers, wage earners on zero-hours contracts, mini- and flexi-jobs, precarious seasonal and temporary agency

workers, etc.<sup>3</sup> Finally, 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.<sup>4</sup> These are all great challenges for job quality, as is in-work poverty.

As for income inequality, poverty and social exclusion in the EU, the latest available data are from 2023 and are based on 2022 incomes. They show that the most unequal EU countries are those of the Balkans, the Baltics and Southern Europe (Table 1.1). The same countries also have the highest poverty and social exclusion rates. A recent Eurofound report (2024) on the evolution of income inequality in the EU between 2006 and 2021<sup>5</sup> shows that the very high levels of inequality across member states has decreased. This is due to higher income growth in the 13 post-2004 member states mainly of central and Eastern Europe (CEE), and especially for low-income earners. By contrast, income inequalities within countries increased in nearly half of the member states, especially in continental Western Europe and in the Nordic region, whereas it decreased in the other half, mainly CEE countries. Among the drivers of increasing inequalities are growing wage inequalities, the weakening of the redistributive role of the family, and in some cases the weakening of the welfare state. Conversely, the rise of employment rates and welfare state interventions are reducing inequalities.

## 1.2. Macroeconomic policy developments

Two major changes took place in EU's macroeconomic policy in 2024. First, the reformed EU fiscal governance framework came into force after the expiry of the General Escape Clause of the SGP on April 30.<sup>6</sup> It is currently in the process of implementation. But it is shrouded in uncertainties caused by the geopolitical situation

---

<sup>3</sup> Zwysen W., K. Arabadjieva, P. Bérastégui, B. L. Fabris, A. Piasna & S. Rainone (2024). Labour market and social developments in the EU: the quest for strong jobs recovery. In A. Piasna & S. Theodoropoulou (eds.), *Benchmarking Working Europe 2024*, Brussels: ETUI and ETUC, pp. 51-86.

<sup>4</sup> Franklin P., P. Bérastégui, A. Cefaliello, T. Musu & M. Schaapman (2021). Occupational health and safety inequalities in the EU. In N. Countouris, R. Jagodzinski & S. Theodoropoulou (eds.) *Benchmarking working Europe 2021*, ETUI, pp. 132-155.

<sup>5</sup> Eurofound (2024). *Developments in income inequality and the middle class in the EU*, Publications Office of the European Union, Luxembourg, <https://www.eurofound.europa.eu/sites/default/files/2024-08/ef23034en.pdf>.

<sup>6</sup> Regulation (EU) 2024/1263 on the effective coordination of economic policies and on multilateral budgetary surveillance, OJ L, 2024/1263, 30.4.2024. Council Regulation (EU) 2024/1264 amending Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure, OJ L, 2024/1264, 30.4.2024. Council Directive (EU) 2024/1265 amending Directive 2011/85/EU on requirements for budgetary frameworks of the Member States, OJ L, 2024/1265, 30.4.2024.

and transatlantic tensions after the election of Donald Trump as US President, who, according to the new Chancellor of Germany, is 'indifferent to Europe's fate'.<sup>7</sup> The new fiscal governance framework points to the EU's fiscal policy guidance and Member States' fiscal policy becoming increasingly restrictive. But this could be counteracted by deficit-financed military expenditure, including EU-level common borrowing. On March 19, 2025, the European Commission and the High Representative for Foreign Affairs and Security Policy presented a joint White Paper recommending a re-activation of the General Escape Clause to enable increased defence spending and a joint loans-based fund raising of €150 billion for military expenditure<sup>8</sup> – an initiative that had been 'welcomed' by a Special European Council on March 6, 2025.<sup>9</sup> Furthermore, on March 21, 2025 Germany passed an amendment loosening its "debt brake" constitutional borrowing restrictions, allowing unlimited borrowing for defence expenditure and a €500 billion fund for infrastructural investments.

EU's new fiscal framework endorses a medium-term, nationally-differentiated approach to fiscal policy adjustments that are to underpin the sustainability of public finances of Member States, intending to give them more leeway to address fiscal challenges. However, it has maintained the core principles of the SGP to be enforced by the 'debt sustainability' and 'deficit resilience' safeguards that impose constraints on the fiscal adjustment pathways. This includes highly controversial numerical rules, such as the debt and deficit resilience safeguards:

- The 'debt sustainability safeguard', requires a minimum annual reduction in the debt/GDP ratio of 1 percent of GDP where the debt exceeds 90 percent of GDP, and of 0.5 percent of GDP where it is between 60 percent and 90 percent of GDP;
- The 'deficit resilience safeguard' is set at 1.5 percent of GDP relative to the reference value of 3 percent of GDP, while the annual reduction to reach this margin is equal to 0.4 percent of GDP or 0.25 percent where the adjustment period allowed is the lengthier 7 years.<sup>10</sup>

---

<sup>7</sup> BBC (2025). New German leader signals seismic shift in transatlantic relations. February 24 <https://www.bbc.co.uk/news/articles/cpv4n0dg3v3o> (accessed March 26, 2025).

<sup>8</sup> European Commission & High Representative of the Union for Foreign Affairs and Security Policy (2025). *Joint White Paper for European Defense Readiness 2030*, Brussels 19.3.2025 Join (2025) 120 final.

<sup>9</sup> <https://www.consilium.europa.eu/en/meetings/european-council/2025/03/06/> (accessed March 26, 2025)

<sup>10</sup> The new EU fiscal governance framework has been thoroughly criticized in the previous EuroMemo Report 2024. <https://euromemo.eu/wp-content/uploads/2024/03/EuroMemorandum-2024.pdf>. See also W. Semmler & B. Young (2024). Threats of sovereign debt overhang in the EU, the new fiscal rules and the perils of policy drift. *Economia Politica*, 41, pp. 565–595. <https://doi.org/10.1007/s40888-023-00319-6>

2024 has been a turning point for EU fiscal policy. After the universal implementation of expansionary fiscal policy by EU Member States over 2020-2022, the EU and euro area fiscal stance turned neutral in 2023<sup>11</sup> since, in the national budgets of Member States, the savings from phasing out Covid measures were compensated by the expenditure on energy and other support measures meant to alleviate the economic and social impact of the energy and cost-of-living crises. By contrast, the fiscal stances of EU Member States in 2024 were set to be restrictive. As a result, the EU aggregate general government deficit is expected to reach 3.1 percent of GDP, and 3.0 percent of GDP for the euro area, in 2024, down from 3.5 percent and 3.6 percent respectively in 2023.<sup>12</sup> Moreover, in July 2024, the Council launched the excessive deficit procedure for Belgium, France, Hungary, Italy, Malta, Poland and Slovakia and extended to end of 2024 the deadline for Romania to correct its excessive deficit established in 2020.

On the basis of these trends, after a period of modest recovery and stagnation in recent years, the EU is on course for entering in a new period of fiscal austerity in which, on top of the obligation of Member States to comply to established fiscal benchmarks, political negotiations between national governments and the Commission over debt-sustainability analysis and net expenditure paths will also play an important role. At the same time, the fiscal policy stance is subject to significant uncertainties given current developments on military expenditure.

The second major change in EU macroeconomic policy concerns EU monetary policy. It has been loosened from mid-2024 onwards. The ECB decisions on 6 June, 18 July, 12 September, 17 October and 12 December 2024 have reduced its three key interest rates and put an end to its anti-inflationary quantitative tightening policy, in place since mid-2022. ECB's monetary policy easing continued in 2025. Between 12 June 2024 and 12 March 2025, the ECB's main refinancing operations rate was curtailed from 4.5 percent to 2.65 percent and it is expected to continue decreasing while all central banks of Member States outside the euro area also eased monetary policy. The ECB policy rate cuts are being transmitted to bank and market lending rates, and, in turn, stirring demand for credit and eventually lending volumes. However, long-term rates in the euro area decreased far less than short-term rates in recent months and corporate lending lags behind mortgage lending which shows signs of rebound.<sup>13</sup>

The changes in EU fiscal and monetary policy in 2024 point to a move towards a new EU macroeconomic policy mix, consisting of monetary easing and fiscal consolidation, to

---

<sup>11</sup> European Fiscal Board (2024, September). *Annual Report 2024*, Brussels.

<sup>12</sup> European Commission (2024), *European Economic Forecast, Autumn 2024*, Institutional Paper 296, Luxembourg: Publications Office of the European Union, Table 34, p. 199.

<sup>13</sup> European Commission (2024, November). *European Economic Forecast, Autumn 2024*, Institutional Paper 296, Luxembourg: Publications Office of the European Union, pp. 23-24.

be combined with a sustained public investment impulse provided by the NGEU and other EU financial instruments at least for the next two years. It remains to be seen, though, a) how far monetary easing will go and how strictly the new fiscal framework will be implemented; fiscal uncertainties associated with military expenditure has already been mentioned, b) if the new policy mix will affect private investment and GDP growth performance in 2025-2026 and c) if a further fall of unemployment and an increase in labour shortages will affect functional income distribution between capital and labour. EU industrial (1.3), employment and social policies (1.4) will play a distinct role in this respect. These are discussed in the next sections.

### 1.3. Industrial policy

The Euromemorandum Group has since its inception argued that the EU needs an industrial policy and has critiqued the neoliberal ‘competition policy only’ approach that has been dominant since the launch of the Single Market project in the mid-1980s. At least nominally, there has belatedly been an acknowledgement by the EU that an industrial policy is needed for the EU to face contemporary challenges and a whole host of initiatives have been launched and instruments set up (Box 1.1). The main reasons behind this turn to industrial policy has been the need to boost reindustrialisation after the Eurozone crisis, the green and digital transition, and the ‘securitization’ of economic policy entailed in the rise of China as a major economic power as well as a sense of lagging behind the USA, and more recently the perceived need to boost military spending in the wake of the Ukraine War.

Heterodox analyses of these developments have critiqued these initiatives as being in line with neoliberalism rather than a break from it. Findings have pointed to the lack of strategic direction, inadequate financial resources, that the chief objective is geared towards internal devaluations, and that the instruments are not open to democratic representation or scrutiny.<sup>14</sup> Overall, there is a lack of effective strategic steering. Instruments such as Important Projects of Common European Interest (IPCEI) are toothless and constrained by fiscal debt limits. Instead, EU industrial policy tends to provide a set of instruments that leverage private financial capital.<sup>15</sup> The Draghi report, with its emphasis on the ‘deepening’ of the Single Market, private financing through securitization (including pension funds) in a completed capital markets and banking union is consistent with this general orientation.<sup>16</sup>

---

<sup>14</sup> Wigger, A. (2019). The New EU Industrial Policy: Authoritarian Neoliberal Structural Adjustment and the Case for Alternatives. *Globalizations* 16 (3), pp. 353-369.

<sup>15</sup> Wigger, A. (2024). The new EU industrial policy: Opening up new frontiers for financial capital. *Politics and Governance*, 12.

<sup>16</sup> Draghi, M. (2024, September). *The future of European competitiveness*. This report comes in two parts: *A competitiveness strategy for Europe* and *In-depth analysis and recommendations*.

### **Box 1.1: The Return of Industrial Policy**

In the immediate post-World War II period, many EU member states pursued active industrial policy. In France, for example, possessing the state capacities as well as the policy autonomy engendered by capital controls, the state intervened directly to ‘pick the winners’. In West Germany, the ‘housebank’ system supported by cheap loans from the Kreditanstalt für Wiederaufbau (KfW) facilitated tripartite consensus between capital, labour and the state that in turn ensured long-term investments for a high-technology transformation of industry. The policy paradigm upon which such industrial policy was based, was shunned with the inception of the Single Market. Its instruments were dismantled through capital market deregulation and were replaced in favour of a ‘competition only’ policy (later supplemented by benchmarking in the Open Method of Coordination). However, since the 2014 Commission Communication on the need for a *European industrial renaissance*, industrial policy is at least discursively back on the agenda and it features as an important instrument in the 2024 Draghi Report. Important milestones in the development of current EU industrial policy are the 2015 Juncker Plan and the setup of the European Fund for Strategic Investments (EFSI), von der Leyen’s European Green Deal (EGD), the ‘Industrial Alliances’ launched by DG Grow, such as the 2020 Raw Materials Alliance, Clean Hydrogen Alliance, and the 2021 alliance on Processors and Semiconductor Technologies. The COVID-19 crisis provided further impetus for industrial policy. Not only were rules prohibiting state aids suspended, but the NGEU raised a total of €750 billion on bond markets, available as transfers to member states. Though the objectives of NGEU were also in the domain of macroeconomic policy, they aimed at a structural economic transformation and hence fall into the domain of industrial policy in a broad sense. The Recovery and Resilience Facility was intended to provide further resources for the EGD as well as the digital transition. Though the NRRPs for investing in these transitions are to be based on the Country Specific Recommendations (CSRs) of the European Semester, the priority is to disperse investments rather than implementing neoliberal supply-side reform, and hence the methods are more open-ended. The EGD and NGEU were further developed through the 2021 ‘Fit for 55’ package, the 2022 RePower EU plan, and the 2023 Green Deal Industrial Strategy with its Net-Zero Industrial Act. The war in Ukraine added additional geopolitical impetus for industrial policy and led to the creation of a joint instrument for military procurement (EDIRPA) and the 2024 European Defence Industrial Strategy (EDIS), including its financial pillar, the European Defence Industrial Programme (EDIP).

There have, however, been some developments towards a genuine breakthrough towards industrial policy in the NRRPs of the NGEU. This includes the PERTE (Proyectos Estratégicos para la Recuperación y Transformación Económica)

---

[https://commission.europa.eu/topics/strengthening-european-competitiveness/eu-competitiveness-looking-ahead\\_en](https://commission.europa.eu/topics/strengthening-european-competitiveness/eu-competitiveness-looking-ahead_en). For further elaboration on the Draghi report, see chapter 2.

strategic projects in Spain.<sup>17</sup> By contrast, the Italian government has articulated no vision for the national development of its economy, passively financing tax rebates and investing money in projects of little relevance for digitalisation and the green transition.<sup>18</sup> In other cases, such as Germany, NGEU has lacked additionality, as it has been invested in projects that would have been funded anyway.<sup>19</sup>

Overall, the record of the NRRPs is mixed.<sup>20</sup> As indicated above, its macroeconomic effects have been important in the post-COVID recovery. It also seems to have allowed more policy autonomy than the regular European Semester. In the case of Spain, the NRRP has made it possible for the government to reverse neoliberal reforms on the labour market and promote regular employment. On the other hand, the required minimum spending on the green (37 percent of the total allocated amount) and digital (27 percent) transition could have been higher and more ambitious. Furthermore, after decades of cutbacks in public administration, member states often lack the personnel required to plan, implement, evaluate and monitor the projects funded. Member states that are more inclined towards a permanent policy of austerity have also pushed for NGEU projects to be completed already by 2026. Such time pressure contributes to the lack of involvement of civil society organisations. Finally, experience suggests that there is a policy trade-off between national and local ownership of NGEU projects and overall Europe-level coordination. The former are desirable to cater to local needs and priorities (and was necessary to ensure a quick implementation in an emergency). However, the lack of supranational coordination and planning creates problems. For example, Denmark is already cancelling major projects for hydrogen because the German market will not commit to the off-take. Investments in ‘Power-to-X’ conversion technologies and Carbon Capture and Storage necessitate cross-border agreements but joint planning and particularly implementation fall sorely behind the ambitions. Finally, follow-up projects are running into funding difficulties.<sup>21</sup> Overall, NGEU funding is in line with what the aforementioned research suggests about EU industrial policy in general. It is mainly benefiting large incumbent corporations as

---

<sup>17</sup> Josep Banyul and Albert Recio’s upcoming country study for Transform!Europe on the implementation of the Recovery and Resilience Fund in Spain. The report was discussed at the 2024 annual conference of Euromemo in Vienna.

<sup>18</sup> Florencia Sember’s upcoming country study for Transform!Europe on the implementation of the recovery and resilience fund in Italy. The report was discussed at the 2024 conference of Euromemo in Vienna.

<sup>19</sup> Michael Schwan’s upcoming country study for Transform!Europe on the implementation of the Recovery and Resilience Fund in Germany. The report was discussed at the 2024 conference of Euromemo in Vienna.

<sup>20</sup> Transform!Europe (2022, October). *The EU Recovery and Resilience Programmes after COVID-19, Delivering the reconstruction the EU needs?* [https://transform-network.net/wp-content/uploads/2023/05/the\\_eu\\_recovery\\_and\\_resilience\\_programmes\\_after\\_covid-19.pdf](https://transform-network.net/wp-content/uploads/2023/05/the_eu_recovery_and_resilience_programmes_after_covid-19.pdf)

<sup>21</sup> Brendel, E., Lundgren, K. & Wass, S. (2024, October). *Germany’s Hydrogen Goal in Danger as Supply Options Dwindle.* BNN Bloomberg. <https://www.bnnbloomberg.ca/investing/commodities/2024/10/12/germanys-hydrogen-goal-in-danger-as-supply-options-dwindle/>

general support, and not necessarily with a view to active strategic funding that promotes a green and digital transition.

It is also concerning that much of EU industrial policy is likely to focus on rearmament – a tendency amplified by ‘Readiness 2030’. Previous Euromemoranda have pointed to the detrimental effects of military investments for climate change. The employment and multiplier effects of military spending are also low.<sup>22</sup>

#### 1.4. Employment and social policy developments

***Transposition and implementation of the 2022 Minimum Wage Directive.*** EU Members had to incorporate the 2022 EU Minimum Wage Directive in their national law by November 2024 in line with the reference values of 60 percent the median wage or 50 percent the average wage (‘double decency threshold’). The process has been ‘quite disappointing’ because many countries transposed it in a minimalistic way (e.g., Germany, asserting that their legislation is already in line with the Directive) or did not meet the deadline.<sup>23</sup> The Directive however had a positive impact, stimulating national debates or prompting the revaluation of minimum wages. Some central and eastern European countries even adopted a ‘hard law’ approach (the Bulgarian legislation has for instance set the statutory minimum wage at 50 percent of the average wage). In other member states (e.g. Ireland and Estonia), the reference values played as a policy guideline, or alternatively (e.g. in the Netherlands) as an argument for trade unions to campaign for an increase of the minimum wage.

In 2024, national minimum wage rates substantially increased in the EU, including in real terms.<sup>24</sup> The need to compensate for inflation rates and the loss of purchasing power were the main drivers of this increase; the transposition of the Directive also played a role. However, this increase is unlikely to be enough to cope with the cost-of-living crisis. The ability of the minimum wage to ensure a decent standard of living is barely questioned (with the exception of Bulgarian trade unions who calculate a ‘basket of goods and services’ every year). A ‘basket of goods and services’ approach is

---

<sup>22</sup> See for example Dolata, U. (1988). Neue Technik – Rüstung – Destruktivkraftentwicklung, Anmerkungen zum Verhältnis von ziviler Modernisierungspolitik und Rüstung in der Bundesrepublik. *Wissenschaft & Frieden*, 1988/1, <https://wissenschaft-und-frieden.de/artikel/neue-technik-ruestung-destruktivkraftentwicklung/>; van Gemert, T., L. Lieb & T. Treibich (2022) Local Fiscal Multipliers of Different Government Spending Categories. *Empirical Economics* 63, pp. 2551-2575. <https://link.springer.com/article/10.1007/s00181-022-02217-5>

<sup>23</sup> Müller T. (2024, November). *Has the EU Minimum Wage Directive had an Impact?* ETUI <https://www.etui.org/news/has-minimum-wage-directive-had-impact>.

<sup>24</sup> Aumayr-Pintar C., Vacas-Soriano C., Kostolný J. & Seghesio M. (2024). *Minimum wages in 2024: Annual review*, Eurofound Research report, <https://www.eurofound.europa.eu/sites/default/files/2024-06/ef24017en.pdf>.

necessary to ensure that the national minimum wage guarantees a decent living. The case of vulnerable workers (e.g. low-paid part-time, short-term or self-employed workers) must be considered since their monthly income remains below a full-time continuous minimum wage. Similarly, for single parents, even the full-time minimum wage may be not sufficient when dual-earner families are the norm.

**Platform Work Directive.**<sup>25</sup> Following months of negotiations, a compromise text has been adopted in spring 2024. The Directive, to be transposed in 2026, first introduces new rules against bogus self-employment through a legal ‘presumption of an employment’ for platforms ‘organising work’ when ‘facts indicat[e] control and direction’. The Directive indicates that the burden of proof lies with the platforms in case they object the reclassification of the self-employed into wage workers. The Directive also provides all platform workers with new rules on algorithmic management, in order to guarantee a human oversight on important decisions (platform workers should not be fired or dismissed because of algorithms). In addition, the Directive reinforces data protection to ensure that sensitive data concerning platform workers will not be processed. Finally, the Directive provides platform workers (including self-employed ones, though to a lesser extent) with extended collective labour rights.

The Platform Work Directive has some limitations.<sup>26</sup> Whereas the ‘presumption of an employment’ covers those who are clearly subordinated to the platform (e.g., food-delivery workers), it might exclude others, such as online workers. It also leaves Member States’ legislators some margin of discretion to introduce additional criteria to be met for activating the presumption. As far as collective rights are concerned, the Directive provides self-employed workers with incomplete rights, notably excluding them from the right to be assisted by representatives in assessing occupational safety and security or the impact of automatic decision-making on their working conditions.

**Labour and skill shortages.** In March 2024, the European Commission presented an action plan on labour and skill shortages post-pandemic.<sup>27</sup> The action plan mostly refers to developing workers’ skills, labour-market participation and mobility, even though

---

<sup>25</sup> Directive (EU). 2024/2831. *Improving working conditions in platform work*. European Parliament, Council of the European. [https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CONSIL:PE\\_89\\_2024\\_REV\\_1&qid=1732375156427](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CONSIL:PE_89_2024_REV_1&qid=1732375156427).

<sup>26</sup> Rainone S. & Aloisi A. (2024, August). *The EU Platform Work Directive. What’s new, what’s missing, what’s next?* ETUI Policy Brief. [https://www.etui.org/sites/default/files/2024-08/The%20EU%20Platform%20Work%20Directive-what%20new%2C%20what%20missing%2C%20what%20next\\_2024.pdf](https://www.etui.org/sites/default/files/2024-08/The%20EU%20Platform%20Work%20Directive-what%20new%2C%20what%20missing%2C%20what%20next_2024.pdf)

<sup>27</sup> Following the Val Duchesse social partner’s summit of January 2024, the Commission presented an action plan with five priorities: i) facilitating the labour market participation of ‘underrepresented people’, ii) developing skills, training and education, iii) improving working conditions in certain sectors, iv) supporting fair intra-EU mobility for workers and learners, v) attracting talents from outside the EU.

working conditions, health and safety at work are often a major driver of skill shortages, as illustrated by sector studies of the European Agency for Safety and Health at Work. For instance, in the construction sector, prevalence of psychosocial risks (time pressure, work overload) is high and notably related to a ‘macho’ male culture.<sup>28</sup> Similarly, in the female-dominated health and social care sector, anxiety (37 percent prevalence according to country studies), depression (20 percent), stress (44 percent), psychological distress (46 percent) and burnouts (38 percent) are widespread.<sup>29</sup>

**Working conditions, health and safety at work.** Surveys on working conditions converge to demonstrate that in the post-pandemic context, workers’ health and safety is deteriorating. According to the 2022 Flash Eurobarometer survey of the European Agency for Safety and Health at Work, there has been an unprecedented deterioration in psychosociological working conditions. The 2021 European Working Conditions Telephone Survey (EWCTS) unveils the extent of physical and psychosocial risks at work. Many workers declare they are subjected to physical demands such as repetitive hand and arm movements (71 percent), psychosociological risks such as verbal abuse at work (13 percent), discrimination (12 percent), work intensity (nearly half are exposed to high speeds, and the same proportion to tight deadlines, 19 percent to emotionally disturbing work situations), long or atypical working-hours (19 percent work more than 48 hours a week, 21 percent work at night). About one in two lack social support or autonomy at work, and four in ten do not participate in decisions concerning their work. The index of job quality reveals that 30 percent are in ‘strained jobs’, where the demands outweigh the resources. Bad working conditions tend to cumulate: *‘Strained jobs are associated with poorer well-being, poorer work–life balance, less ability to make ends meet, lower levels of work engagement and less trust within the workplace’*.<sup>30</sup>

Working conditions have a strong gender dimension due to the gender segregation of employment and the gendered divide of paid and unpaid work – every week in the EU, women spend nearly 6 hours less than men in paid work and 13 hours more in unpaid work. Paid domestic workers (more than nine in ten are women) are

---

<sup>28</sup> European Agency for Safety and Health at Work (2024). *Mental health in the construction sector: preventing and managing psychosocial risks in the workplace*.

[https://osha.europa.eu/sites/default/files/documents/Mental-health-construction\\_summary\\_EN\\_0.pdf](https://osha.europa.eu/sites/default/files/documents/Mental-health-construction_summary_EN_0.pdf).

<sup>29</sup> European Agency for Safety and Health at Work (2024). *Mental health challenges in the EU health and social care sector during COVID-19: strategies for prevention and management*. [https://osha.europa.eu/sites/default/files/documents/HeaSCare-mental-health-covid19\\_EN.pdf](https://osha.europa.eu/sites/default/files/documents/HeaSCare-mental-health-covid19_EN.pdf).

<sup>30</sup> Eurofound (2022). *Working conditions in the time of COVID-19: Implications for the future, European Working Conditions Telephone Survey 2021 series, Publications Office of the European Union, Luxembourg*. <https://www.eurofound.europa.eu/system/files/2023-01/ef22012en.pdf>; Eurofound (2023). *Psychosocial risks to workers’ well-being: Lessons from the COVID-19 pandemic, European Working Conditions Telephone Survey 2021 series, Publications Office of the European Union, Luxembourg*, <https://www.eurofound.europa.eu/sites/default/files/2023-11/ef23001en.pdf>.

particularly concerned. According to the 2024 Personal & household services employment report, 60 percent of home care workers said their job is not sustainable until retirement, due to long working hours, emotional strains or low pay.

**Poverty and social exclusion.** Experimentation with employment guarantees are receiving wider support in the EU. The ETUI adopted a resolution in December 2023 to support member states implementing state-run job creation programmes for long-term unemployed.<sup>31</sup> In April 2023, the European Commission launched a call for proposals to support territorial initiatives in that direction.<sup>32</sup> Yet the Commission support (23 million Euros) remains modest considering the needs for job guarantee programs.

In 2023, 21.4 percent of the EU population were at risk of poverty and social exclusion (i.e. living in a household at risk of monetary poverty, material and social deprivation and/or with very low work intensity).<sup>33</sup> Activation policies, which aim to provide incentives to work and accept a (low-paid) job have weakened the adequacy of unemployment benefits and minimum-income guarantees - whose generosity was suspected of discouraging work. Although the European Pillar of Social Rights (EPSR) recognises the 'right to adequate minimum income benefits ensuring a life in dignity at all stages of life', in no member state does the minimum income scheme lift recipients above the poverty line or guarantee a decent living. In addition, minimum income recipients face significant barriers of access to their social rights and social inclusion services. By now, soft law has failed in effectively securing minimum income guarantees. The 2023 Council recommendation on adequate minimum income, coverage and take-up is a step forward but a Directive is still needed.

## 1.5. Alternative proposals

The return to fiscal austerity and the priority assigned to private investments amount to a strategy that cannot adequately deal with Europe's geopolitical situation and the huge additional investment needs that arise from the challenges posed by climate change. The growing care needs in the ageing European societies also necessitate additional investment. It is a sad statement about the state of the EU that supposedly 'scientifically

---

<sup>31</sup> ETUI (2023, November). *ETUC Resolution on the European Job Guarantee*. Adopted at the Executive Committee Meeting of 6-7 December 2023. <https://www.etuc.org/en/document/etuc-resolution-european-job-guarantee>.

<sup>32</sup> European Commission (2024, April). New EU funding for innovative ideas to reduce long-term unemployment and help people find jobs. Press release. [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_24\\_2102](https://ec.europa.eu/commission/presscorner/detail/en/ip_24_2102).

<sup>33</sup> Eurostat (2024). *Living conditions in Europe - poverty and social exclusion*. [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Living\\_conditions\\_in\\_Europe\\_-\\_poverty\\_and\\_social\\_exclusion](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Living_conditions_in_Europe_-_poverty_and_social_exclusion).

based' fiscal rules (see chapter 3 and previous Euromemoranda for critiques) can be set aside for militarisation, but not for socio-ecological transformation.

A key issue of the debate on the additional investment needs is how to distribute their funding between national budgets, private financial markets and EU fiscal and financial instruments, the latter being indispensable in order to provide European public goods and assist the effort of Member States with limited fiscal capacity. The negotiations on the next EU's Multiannual Financial Framework are to begin in the second half of 2025; their role in shaping the strategic reorientation and future of the EU in relation to the interests of its working classes and others is of vital importance.

We reiterate the call from the 2024 EuroMemo Report that stressed the need for a **shift in the EU economic policy paradigm**. The two core elements of such a radical and progressive EU macroeconomic policy paradigm shift would be:

- A) A sizeable Europe-wide investment plan, in close co-ordination with corresponding national plans, to promote an ecological and social transformation and accelerate the technological transformation in the EU's industrial sector. The implementation of such a plan would require (i) an EU investment fund covering the needs of both EU-level transition projects and of complementary national ones; (ii) an enlarged EU budget corresponding to 5 percent of GNI, financed by new fiscal resources, including taxation of the super-wealthy and of the windfall profits of corporations which had benefited from the crisis, such as energy companies and banks; (iii) a permanent EU central fiscal capacity backed by common borrowing. The experience of the NGEU provides – positive and negative – lessons about how such a plan might be designed and implemented.
- B) An alternative fiscal governance framework which i) would include a 'golden rule', exempting net public investment aimed at the ecological and social transformation from budgetary balance rules, as well as 'debt sustainability rules' paying attention to the cost of servicing the public debt relative to GDP, rather than its level, and ii) would be embedded in a democratic participatory framework, where the European Parliament participates in decision-making, oversees its implementation, and holds the European Commission and the ECB accountable.

Regarding labour and social policies at the national level, the EuroMemo proposes:

**Redistributive social and fiscal policies.** Strong welfare states are crucial for tackling income inequalities. There is a need for strengthening the redistributive role of social protection systems, especially in countries where it has weakened and in countries experiencing rising inequalities or a high poverty rate. Fiscal policies must support

redistribution: taxes on wealth and profits, which have declined in many countries, would provide crucial resources for redistribution.

***Fair wages and social dialogue.*** Supporting low-wage workers' purchasing power is crucial for a sustainable growth in the EU. To make sure that national minimum wages ensure a decent living, there is a need to fully transpose the 2022 Minimum Wage Directive in national legislation and to test minimum wages against a basket of goods and services. Social dialogue must be fostered in line with the Minimum Wage Directive, especially in the 19 Member States where collective bargaining coverage is below 80 percent, to ensure stricter indexation mechanisms for low and medium wages.

***Pay transparency.*** EU member states have until June 2026 to implement the 2023 Pay Transparency Directive, but progress is still too slow. According to the ETUI, delays in implementing the Directive will cost EU women an average 4.256 € per year (17,000 € up to June 2026). In the context of the care crisis and cost-of-living crisis, implementing the Pay Transparency Directive is urgent.

***Progressive labour market regulations.*** Securing precarious workers' income and reducing work precariousness is a necessity for social cohesion and health and safety at work. Labour market regulations are needed to provide those workers on part-time or short-term contracts with fair in-work benefits schemes and secure their access to standard employment.

***Regulations of platform work, bogus self-employment and algorithmic management.*** The 2024 Platform Work Directive represents a step forward for platform workers. Nevertheless, given the discretion left to national legislators, there is a need to prevent the elaboration of legal frameworks providing platform workers with weak or fragmented protections, notably during the transposition period. As far as algorithmic management and data rights in the workplace are concerned, taking stock of the Platform Work Directive, there is a need for a new Directive to improve the data rights and protections of all workers.

***Improve working conditions, health and safety at work.*** Bad and deteriorating working conditions (especially as regards psychosocial risks) in the post-Covid context must be addressed. As the European Trade Union institute claims, a European Directive on the prevention of psychosocial risks at work is now urgently needed.<sup>34</sup> It should notably reinforce employers' obligations to assess and prevent risks, especially those related to time pressure and workload or the use of digital technologies. It must provide employers with training and tools for occupational safety and risk assessment, including

---

<sup>34</sup> ETUC (2024, October). *Resolution on specific demands for a European Directive on the prevention of psychosocial risks at work.* <https://www.etuc.org/en/document/etuc-resolution-specific-demands-european-directive-prevention-psychosocial-risks-work>.

risks related gender-based sexual and sexist violence, harassment and sexism. The needed Directive must also provide for the training and participation of trade unions in the conception and implementation of collective agreements or action plans on health and safety at work.

***Adequate income and employment guarantees against poverty and social exclusion.***

Instead of activation measures focused on employees' duties, a rights-based approach would enhance the autonomy of income support recipients and strengthen their right to employment. Adequate income guarantees must be defined according to national at-risk-of-poverty thresholds, household budgets and a 'basket of goods and services' approach of low-income households. Income guarantees must also be strictly indexed to the rise in the cost of living and to the rise of the average or median wage. Guaranteeing access to social inclusion services is also crucial for income support recipients, especially for mothers whose access to employment crucially rely on available and affordable childcare and education services. Investing in a job guarantee would facilitate the combination of a rights-based approach with investment in public services and infrastructure as a vehicle for fostering a socio-ecological transformation.<sup>35</sup>

---

<sup>35</sup> Tcherneva, P. R. (2020). *The case for a job guarantee*. John Wiley & Sons.