Education International
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ETUCE Position on the new EU Economic Governance

Adopted by the ETUCE Committee meeting on 14-15 March 2024

In response to the deal between the Council and the European Parliament on the reform of fiscal rules composing the new EU economic governance framework, ETUCE reiterates its concerns regarding the proposed medium-term fiscal-structural national plans and the "reference trajectory", which the Commission will submit to Member States in the case government debt exceeds the 60% of gross domestic product (GDP) or the government deficit exceeds the 3% of GDP. The final text of this agreement falls short in adequately addressing the need for robust public investments in education.

The economic governance is a key pillar of the architecture of the Economic and Monetary Union, since 1992, aiming to prevent and correct those that are identified as macroeconomic imbalances. The present reform introduces the obligation for Member States to submit national medium-term fiscal structural plans and it introduces, at given conditions, a "reference trajectory" for Member States where government debt exceeds the 60% of GDP or where the government deficit exceeds the 3% of GDP. Based on the reference trajectory, Member States incorporate the fiscal adjustment path into their national medium-term plans, which then need to be endorsed by the Council. Member States will be allowed to ask for an extension of the four-year fiscal adjustment period to maximum seven years, if they carry out certain reforms and investments.

Central to our concerns is the potential impact of these four-year medium-term plans on public investment in education. ETUCE firmly believes that improving the quality of public finances and safeguarding public investment should be fundamental aspects of any economic governance framework.

The key element of this reform, the so-called reference trajectory, aims at decreasing the projected general government debt-to-GDP ratio by a minimum annual average amount of 1% of GDP if the general government debt-to-GDP ratio exceeds 90%, or 0,5% of GDP when the general government debt-to-GDP ratio remains between 60% and 90%. However, the reference trajectory risks constraining Member States' ability to make sufficient public investments in education, and instead, there are high chances it will result in cuts to national education budgets.

ETUCE advocates for an economic and social governance model that prioritises full employment, upward convergence of living and working conditions, and high-quality public services and education. It is imperative that stimulus measures support green and digital transitions within the education and training sector, fostering quality job creation and decent salaries across Member States.

Furthermore, the prominence of the medium-term fiscal-structural plans and the annual progress reports, the Employment Guidelines, and the yearly Country Specific Recommendations underscores the need for democratising the European Semester. The involvement of social partners, including ETUCE and its member organisations, must be enhanced to ensure that decisions align with the needs and priorities of workers and citizens, especially concerning medium-term fiscal-structural plans.

ETUCE emphasises the critical role of public investments in driving economic growth and employment. Numerous studies have highlighted the multiplier effect of public investment, indicating its positive impact on long-term growth. Therefore, any measures that curtail public investment not only hinder economic development but also jeopardise the well-being of current and future generations.

ETUCE will continue closely monitoring public investments in education that ensure quality and inclusive education for all. Only through sustained investments we can create the conditions for a prosperous and equitable future for all citizens in the European Union.

ETUCE call on the members of the ETUCE Platform on the European Semester and the ETUCE Committee members in the EU Member States and candidate countries to make use of this statement in their action towards their national governments and with all relevant social partners and policymakers.

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