European Economic and Social Committee

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Towards a more resilient and sustainable European economy

OPINION

European Economic and Social Committee

Towards a more resilient and sustainable European economy
(own-initiative opinion)

Rapporteur: **Javier DOZ ORRIT**

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Preamble

This opinion is part of a package of two EESC own-initiative opinions drawn up in parallel: Towards a more resilient and sustainable European economy *and* A new vision for completing the Economic and Monetary Union. *The package is intended as a direct contribution to the economic agenda of the new European Parliament and European Commission taking office in 2019. There is a clear need for a new European economic strategy: a positive narrative for the future development of the EU economy in the wider world that would help increase the resilience of the EU to economic shocks and the sustainability - economic, social and environmental - of its economic model, thus bringing back confidence, stability and shared prosperity to all Europeans. Building on the progress achieved in recent years, this strategy could lay the ground for further economic, fiscal, financial, social and political integration that is necessary to achieve the objectives of Europe's Economic and Monetary Union.*

1. Conclusions and recommendations

1.1 European integration is at a crossroads. One lesson from the recent long-lasting economic crisis and the deep social scars it has left in several Member States is that the absence of economic and social convergence among Member States and regions is a threat to the political sustainability of the European project and all the benefits it has brought to European citizens.

1.2 Given anthropogenic climate change and the transgressing of multiple planetary boundaries, our production and consumption model needs to be overhauled. In line with the COP 21 Paris Agreement and the UN Sustainable Development Goals, the EU has set the objective of having a climate-neutral economy by 2050. In order to manage this, a comprehensive and consistent policy framework will be needed.

1.3 Developing economic and labour market resilience with economic, social, environmental and institutional sustainability should be the principle guiding policies which will foster upwards convergence and fairness in the transition towards a climate-neutral economy – i.e. an economy in which there is a balance between emissions and absorption of greenhouse gases – while managing the challenges posed by digitalisation and demographic change.

1.4 To enable economic policies that increase economic, labour market and social resilience, the drive towards strengthening the institutional architecture of EMU should be kept up and reinforced. The establishment of a fiscal capacity at eurozone level, the reform of current fiscal rules in order to preserve public investment during downturns, the establishment of a common safe asset and the completion of the Banking and Capital Markets Unions should be carried forward, if only in incremental steps. Furthermore, measures to avoid unfair tax competition among Member States should be promoted.

1.5 In order to reduce social vulnerabilities and thus increase resilience, effective European and national measures must be adopted to reverse the current trend towards growing inequality both in terms of opportunities and outcomes.

1.6 The concept of a just transition must be developed and applied when striving to reach the objective of a carbon-neutral EU economy by 2050. This includes ensuring that the effects of climate policies are shared out equally and managing labour market transitions in a forward-looking way with the full participation of the social partners. A sustainable economy should integrate all three dimensions of sustainability: economic, social and environmental.

1.7 The Member States should take initiatives to implement the European Pillar of Social Rights by undertaking legislative initiatives at national level and ensuring appropriate financing. The EU should contribute to this financial effort under the next Multiannual Financial Framework (MFF) 2021-2027.

1.8 Strengthening the competitiveness of the European economy, that is its capacity to increase its productivity and living standards in a sustainable manner while at the same time becoming climate neutral, not least by means of research, development and more and better skills for the labour force, should go hand in hand with these initiatives.

1.9 The agreement on the size and shape of the forthcoming MFF should reflect the imperatives of developing resilience and a sustainable economy.

1.10 Given the interconnection between the different facets of a resilient and sustainable economy, the participation of representative organisations of the social partners and civil society in policy-making and in the implementation cycles should be placed on a formal footing and reinforced wherever necessary at national and European levels.

1.11 Through the European Semester, the MFF 2021-2027 and other legislative and government instruments, the European institutions and the Member States should establish a coherent action programme to promote and strengthen the key factors promoting economic resilience throughout the EU and the convergence of the Member States in relation to these factors.

2. A more resilient and sustainable European economy

2.1 Developing greater resilience to (economic) shocks is an objective that has been gaining ground in (economic) policy debates in the EU and particularly in the euro area. This has been due not least to the lasting economic, social and political scars that the recent economic and financial crises have left in several EU Member States but also to the anticipation of highly disruptive effects on European economies and societies, which are expected to be generated by the Fourth Industrial Revolution, and to the imperative need to tackle climate change and to stay within the limits of planetary boundaries.

2.1.1 In the context of Economic and Monetary Union (EMU), the definition of economic resilience proposed by the European Commission is the ability of a country to withstand a shock and recover quickly to its potential [growth] after it falls into recession[1].

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1 European Commission, Note for the Eurogroup: Economic resilience in EMU, 13/9/2017.

2.1.2 The Five Presidents' Report and the Commission's White Paper on Deepening EMU state that the euro-area Member States should converge towards more resilient economic and social structures, which should "prevent economic shocks having significant and persistent effects on income and employment levels", so that they can reduce economic fluctuations, most notably deep and extended recessions.

2.1.3 It should be noted, however, that while the resilient recovery of an economy means avoiding or effectively dealing with the lasting disruptive effects of a shock, with a view to both the cyclical and structural nature of changes, economies need not always return to the pre-shock state (or growth path). For example, the advent of the Fourth Industrial Revolution and the transition to a climate-neutral economy should arguably lead to different economic models. It is important that political institutions and social actors be prepared to act upon the changes, anticipating their consequences and directing the transformation processes.

2.1.4 Economically-resilient economies can have different characteristics. They may have low vulnerability to certain types of shocks (e.g. macroeconomic or financial shocks). Whenever shocks actually hit them, resilient economies can cushion their impact by minimising their effects on output and employment levels and/or they can recover swiftly from them by adapting. Different types of policy interventions, and different combinations thereof, can be used to enhance resilience: namely, preparation, prevention, protection, promotion (of change) and transformation policies. The existence of high public debt levels as a share of GDP can pose difficulties with regards to resilience. On the one hand, it can be a source of vulnerability to shocks; on the other hand, it may limit the response of Member States to adverse shocks.

2.1.5 Economic resilience can be achieved in ways that have very different effects on the welfare of different groups in society. Workers' welfare largely depends on how stable, secure and equally distributed their income and employment opportunities are. Therefore, policies that promote both economic and labour market resilience should be favoured, with labour market resilience being defined as the capacity of a labour market to withstand an economic shock with limited losses to workers' welfare. The increasing share of precarious non-standard employment in total employment creation, however, is a stark reminder that economic and labour market resilience do not necessarily coincide. The quality of employment is a factor of resilience, both for vulnerability and resistance and for recovery.

2.2 Establishing a more sustainable European economy is a policy objective in the EU. According to the Juncker Commission's long-term strategic vision for a "prosperous, modern, competitive and climate neutral EU economy" by 2050, informed inter alia by the UN Sustainable Development Goals (SDGs), a *sustainable economy* should be one that integrates all three of the economic, social and environmental sustainability dimensions.

2.2.1 The general definition of economic sustainability is the ability of an economy to support a defined level of economic production indefinitely. It concerns the avoidance of large macro-economic imbalances. Often conflating the two concepts of sustainable economy and economic sustainability, the EU process of economic policy coordination, most notably the European Semester is in its core built to pursue the latter dimension, failing to fully reflect the broader concept of sustainable economy. For example, the reflection paper of the Commission "Towards a sustainable Europe 2030" states that "healthy budgets and modern economies are key; progress made towards sound fiscal policies and structural reforms have reduced debt levels and stimulated job creation"[2].

2.2.2 The crisis and its political management have produced a serious regression in social cohesion with negative political consequences. Social sustainability has been under threat due to the increasing inequalities of opportunities and outcomes that can be observed in many European countries and other advanced countries but also globally, with parts of society "left behind". Higher inequality also means higher vulnerability to shocks, which runs against higher resilience. Wealth inequality also runs against economic sustainability, as it reduces wealth reinvestment productivity and the efficiency of society. The failure to tackle the drivers of these inequalities has been associated in many cases with the political backlash observed in many countries against traditional political parties and their pro-EU agenda.

2.2.3 Social sustainability is bound to face further pressures due to the Fourth Industrial Revolution and the changes it introduces for work and welfare in Europe and elsewhere.

2.2.4 With the reckless depletion of natural and environmental resources, the current production and consumption model is transgressing several dimensions of planetary boundaries (climate change, biodiversity, oceans, pollution, etc.), and poses an existential threat to future generations.

2.2.5 Socially and environmentally sustainable development would thus imply staying within the "safe and just space for humanity"[3] by providing a proper social foundation to all members of society and at the same time staying within the planetary boundaries. For this to happen, a fundamental revision of the current production and consumption model ("growth model") is necessary, based on "sustainable growth"[4]. This vision paves the way for a structural shift of the European economy, driving sustainable growth and employment.

2.2.6 In the light of the above, and also in line with EESC opinion NAT/542[5], sustainable growth means that growth should be based not only on quantity but also – in fact even more – on quality, which means growth that (i) is based on clean energy and responsible material use without exploiting the environment and labour, (ii) is based on a closed flow of income cycling between households, businesses, banks, government and trade overcoming current bottlenecks due to financial fragmentation, operating in a social and ecological way, (iii) provides fair living conditions by meeting the needs of all within the planetary boundaries, (iv) also takes the unpaid work of carers – principally women – into account, and (v) ensures that economic growth is measured not only by annual flow, but also by stocks of wealth and their distribution.

All these features are essentially missing from the current model.

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2 Reflection paper "Towards a sustainable Europe by 2030", European Commission (2019).

3 Raworth (2017).

4 OJ C 228, 5.7.2019, p. 37.

5 OJ C 143, 22.5.2012, p. 39.

2.3 A sustainable economy has characteristics that promote resilience insofar as economic sustainability reduces the risks associated with macroeconomic and financial imbalances.

2.4 Transitioning to a sustainable economy, integrating economic, social and environmental sustainability, however, will undoubtedly require far-reaching changes which can be characterised as an intense and long-lasting but also predicted shock. Being resilient vis-à-vis this transition will require measures that facilitate and promote the adaptability of economies, societies and individuals to the new model. In that sense, demonstrating resilience will facilitate the just transition to a sustainable economy.

2.5 An integrated and holistic concept and policy framework for sustainability also need to take account of two further megatrends that will shape the future of the European economy and labour market: an aging society and demographic change, and changing globalisation patterns which, in addition to the shrinking of multilateralism, also include stronger migration flows.

2.6 The performance of European countries during the past crisis has been very diverse from the point of view of the concept of resilience. The economic and social impact of the crisis has varied across Member States. Almost all Member States suffered significant declines in GDP; in several, recession resulted in major job losses for varying periods. In order to draw adequate lessons from the Great Recession, which will help reinforce the resilience and sustainability of the European economy and societies, it is necessary to analyse the structural factors of vulnerability and recovery capacity, along with the policies that were applied (extreme austerity from 2010, and selective flexibility from 2014). This must be done using not only the main economic variables but social and environmental indicators as well.

3. The two great transitions

3.1 Towards a green, climate-neutral economy

3.1.1 The transition towards a green and decarbonised economy in Europe is aligned with two international frameworks: The Sustainable Development Goals of the United Nations (SDGs) and the COP21 Paris Agreement. The SDGs represent a comprehensive global agenda. EU Member States have begun to translate the international SDGs into national sustainability strategies and targets. In particular, SDG7 (ensure access to affordable, reliable, sustainable and modern energy for all), SDG 12 (on sustainable consumption and production) and SDG 13 (on climate action) define strategic objectives based on the shared responsibility principle.

3.1.2 The nationally determined contributions (NDCs) made by the signatories to the Paris Agreement set the strategic objectives at country level. The first global stocktake carried out at the COP24 in Katowice indicates that climate policy ambitions clearly need to be increased further.

3.1.3 In November 2018, the European Commission launched its long-term vision "A Clean Planet for all: A European strategic long-term vision for a prosperous, modern, competitive and climate neutral economy". On this basis, the EU will adopt and submit its climate policy commitments by early 2020 to the United Nations Framework Convention on Climate Change (UNFCCC) as requested under the Paris Agreement, and should take account of the following.

3.1.4 Greening of economies requires a coherent country-specific mix of macroeconomic, industrial, sectoral and labour policies. The aim is to generate decent jobs along the entire supply chain, creating employment opportunities on a wide scale.

3.1.5 Sustainable development needs to be addressed across all policy fields in a coherent manner. Such a policy framework requires institutional arrangements to be put in place to ensure the participation of all the relevant stakeholders at all levels, building partly on a balanced range of ownership forms (public, private, community and cooperative). European coordination of national policies that ensure high levels of convergence among Member States is also necessary. The effects on employment that stem from a change in the economic model must be addressed on the basis of a just transition made tangible through social and civil society dialogue linking up the national and European levels.

3.2 Towards a digital economy

3.2.1 Digitalisation and automation are likely to have both positive and negative effects for the economy and society. On the one hand, they present great potential to increase productivity, especially in service sectors, where it is usually low, and to decentralise innovation activities to more peripheral locations.

3.2.2 On the other hand, they have the potential to displace workers especially in routine non-cognitive tasks. While technological revolutions in the past have never resulted in permanently massive unemployment, as the old displaced jobs have been replaced by new ones, the transition is unlikely to be seamless or painless without adjustment efforts.

3.2.3 Public policies in the domain of education can reform education systems so that they equip graduates with skills that increase their immunity towards technological displacement and allow them to be more adaptable in the course of their careers to gainfully participate in the labour market.

3.2.4 Public policies can also steer technological advances in directions that minimise their adverse impact on employment.

4. Some foundations of a resilient and sustainable economic model and a political strategy to achieve it

4.1 To build economic resilience that is compatible with labour market and social resilience, we will need to develop a multitude of tools for preparation, prevention, protection, promotion (of change) and transformation to be deployed accordingly depending on the intensity and duration of the challenges facing economies.

4.2 In the case of EMU, the build-up of risks, which proved in the last crisis capable of creating large disturbances, should be avoided. To that end, the "macroeconomic imbalance procedure" has been a step in the right direction. However, it is still fraught with asymmetries in the way it tackles different imbalances (e.g. current account deficits vs. surpluses) and it does not produce binding recommendations for adjustment, especially for Member States with excessively large current account surpluses. It therefore needs to be adapted.

4.2.1 In a similar vein, large divergences in inflation and nominal wage rates should be avoided. A useful rule of thumb for coordination across the euro area should be that nominal wages should grow in line with the sum of the ECB's target inflation rate and productivity growth rate at the sectoral level. Industrial policies should promote additional productivity growth in the poorer Member States in order to promote convergence. Such developments could also smooth out nominal divergence among Member States in the euro area, thus increasing the efficacy of monetary policy.

4.3 Economic resilience that is compatible with labour resilience would also require that – rather than putting all the burden of adjustment to shocks on labour markets – macroeconomic policies, especially fiscal policies, have the space to be sufficiently active in order to counter the impact of shocks, especially recessions that affect some Member States rather than others. Establishing fiscal capacity at euro-area level would be the most effective way to do this, although allowing more scope to national fiscal policies to do that could also work. Fiscal policies with greater capacity to stabilise national economies at their full employment level of activity would also make it easier to build sustainable fiscal buffers.

4.4 The proper functioning of automatic stabilisers and social protection systems are factors that strengthen economic resilience. For their action to be compatible with sustainable public finances, the tax systems of the Member States need to provide sufficient resources. Sound taxation is also a key resilience factor.

4.5 A business environment favourable to investment and innovation, the proper functioning of financial markets and an increase in the ability to share financial risks are factors that strengthen the resilience of the economy. In line with its earlier opinion on 'Promoting innovative and high growth firms'[6], the EESC believes that policies must be promoted to boost these factors. That is why it has supported the initiatives of the Commission on the Banking Union and the Capital Markets Union (CMU). But the EESC goes further and believes that the concept of sustainability should also be taken into account in the financial system, as expressed in its opinion on the Commission Action Plan on Financing Sustainable Growth[7].

4.6 Policies facilitating a transition to the digital economy and to a climate-neutral and environmentally sustainable model should also ensure that these transitions are just. A just transition should not be an "add-on" to climate or digitalisation policies; it needs to be an integral part of the sustainable development policy framework. Just-transition policies should be focused on correcting the adverse distributional effects (that are degressive) of climate policy measures (to the extent these appear as a greater relative burden on lower income groups),

6 OJ C 75,10.3.2017, p.6.

7 OJ C 62, 15.2.2019, p. 73.

should focus on active management of labour market transitions and should also deal with regional development issues (e.g. economically vulnerable regions that depend heavily on energy intensive industries).

4.6.1 Just transition has two main dimensions: in terms of "outcomes" (the new employment and social landscape in a decarbonised economy) and of "process" (how we get there). The "outcome" should be decent work for all in an inclusive society with the eradication of poverty. The process, how we get there, should be based on a managed transition with meaningful social dialogue at all levels to make sure that burden sharing is just and nobody is left behind.

4.7 At the heart of strategies for strengthening resilience that would lead to a just transformation of our economic model to the imminent challenges, there must be strategies for investment, including public investment: in skills and education systems, or social investment more broadly speaking; and in technologies that promote environmental sustainability.

4.7.1 Withstanding the effects of digitalisation will require the development of skills and capacities that allow individuals to perform non-routine cognitive tasks, as well as the ability to renew skills throughout life. Given that existing (and rising) inequalities have been shown to determine to a large extent the academic performance of students, it is important that social investment strategies are put into place to ensure that no one is left behind.

4.7.2 Investments, both public and private, in the future climate-neutral economy must be stepped up to achieve the EU's upgraded emissions reduction targets for 2030 and a radical change will be necessary to reach net zero emissions by 2050, consistent with the Paris targets, as acknowledged by the Commission communication (COM(2018) 773 final). Investments in renewable energy by the EU-27 in 2017 were a mere 50% of the level it reached back in 2011 and also 30% less than in 2016[8]. The enduring weakness of investment activity in renewables in Europe is also in contrast with the high level of still existing fossil fuel subsidies across its Member States. The problem is not only underinvestment: the allocation of existing resources is also dysfunctional. Clear policy objectives and a more coherent policy framework is necessary to turn around these negative trends. In any case, the end of the era of fossil fuels in Europe must be accompanied by the necessary investments that ensure the protection of its workers, the creation of new jobs and support for local development. Transition processes must be negotiated with the social partners and civil society organisations and related to transparency and effective communication policies.

4.8 Current interpretations of competitiveness are focused on a cost-based interpretation, primarily on labour costs but also seeing energy costs as a factor. Maintaining competitiveness typically focuses on the development of unit labour costs. Qualitative elements of competitiveness should gain importance, in terms of labour productivity, resource productivity and energy efficiency, and should also be taken into account by national productivity boards.

8 Frankfurt School-UNEP-BNEF (2018).

4.9 One important objective should thus be to mainstream the European macroeconomic governance mechanism in taking a comprehensive and integrative approach to the "sustainable economy" concept that includes social and environmental indicators in the Semester process and thus strengthens both resilience and sustainability.

5. Instruments of governance and economic policy – at EU and Member State level – to move towards a more resilient and sustainable economy

5.1 The importance of investment, especially public investment, for fostering adaptation to the imminent transition processes, and of fiscal policies for fostering the absorptions of shocks, means that there is an imperative to create space for fiscal policies to that end at EU and national levels. The EU should set itself the goal of reaching the level of investment it achieved prior to the crisis within a short period of time. This would imply closing the investment gap, and thus increasing investment by two to three GDP percentage points, or around EUR 300 billion annually for the EU-28[9].

5.2 To strengthen the revenue side and ensure sufficient fiscal resources in the EU and the Member States, efforts need to intensify against tax fraud, tax avoidance, money laundering, tax havens and unfair tax competition between the Member States. Without prejudice to supporting innovation, the Member States should agree to coordinate action at EU level with a view to urging digital giants to pay their fair share of taxation to each of the Member States in which they make profits.

5.3 The EU economic governance system, including the architecture of EMU need to be improved in order to avoid putting brakes on economic growth and burdening national fiscal policies with tasks that they cannot and should not have to handle.

5.4 The establishment of a sufficiently large fiscal capacity at euro-area level so as to provide stabilisation in the event of shocks would be the most desirable option, which, however, for the moment appears to have stalled.

5.5 Preserving scope at the national level for protecting public investment, especially during recessions, should also be high on the list of priorities. Without prejudice to maintaining the sustainability of public finances, the current EU fiscal rules could be altered or interpreted in a way that excludes public investment, in particular social investment and investment in environmental projects, from the calculation of deficits[10].

5.6 The Banking Union needs to be completed with the establishment of a European Deposit Insurance Scheme and a common fiscal backstop for the Single Resolution Mechanism. The EESC reiterates its concern about the obstacles that several governments are putting in the way of completing these two projects which are essential for safeguarding financial stability and ultimately private investment in the eurozone, and which are so linked to increasing resilience.

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9 How to close the European investment gap?, Michael Dauderstädt, Friedrich Ebert Stiftung.

10 OJ C 262, 25.7.2018, p. 28 and EESC opinion on *Euro area economic policy*, OJ C 159, 10.5.2019, p. 49.

5.7 A common safe asset should be established, financial fragmentation reduced by promoting the Capital Markets Union, the potential of monetary policy supported and the sovereign-banks loop mitigated by replacing national government bonds on the banks' balance sheets. The latter would also pave the way for the necessary but so far politically difficult reforms which will significantly deepen EMU. Countries that do not belong to the euro zone could participate in a common safe asset programme. The monetary authorities and those responsible for European economic policy should take into account their situation to ensure the resilience of the entire European financial system.

5.8 The European Semester should incorporate more prominently and coherently the development of resilience with a view to upwards convergence and sustainability at all stages, from the Annual Growth Survey (which could become an Annual Growth and Sustainability Survey) to the national reform programmes and country specific recommendations.

5.9 There are many factors which affect economic resilience that are fundamental to the functioning of EMU. Through the European Semester, the MFF 2021-2027 and other legislative and government instruments, the European institutions and the Member States should establish a coherent action programme to promote and strengthen the key factors that promote economic resilience throughout the EU and the convergence of Member States in relation to these factors.

5.10 In conclusion, the EESC believes that the following should be included as key resilience factors in an action programme:

a) strengthen financial stability: increase the financial capacity of the European Stability Mechanism (ESM), promote a European tax policy that includes fiscal harmonisation, facilitate the fiscal sufficiency of the Member States and establish effective mechanisms to fight tax fraud;
b) complete Monetary Union by expanding the objectives of the ECB, creating a Single European Treasury with debt issuing capacity, improving the governance of the eurozone and making it more democratic;
c) increase the productivity of European economies by focusing on key factors such as investment (public and private), research, development, education and professional training, improvement of business management and worker participation;
d) labour markets and quality of employment: strengthen collective bargaining and social dialogue, ensure that automatic stabilisers work effectively and design more and better active employment policies. The creation of a European unemployment insurance (to complement national schemes) could be an instrument of pan-European economic resilience that would also strengthen the political cohesion of the Union. We ask the European institutions to study the feasibility of its financing within the 2021-2027 Multiannual Financial Framework;
e) promote social cohesion and progress towards a more inclusive society by applying the European Pillar of Social Rights, with appropriate financing; and
f) promote the creation of favourable environments for business investment and improve the financing of companies, complete as a matter of urgency the Capital Markets Union (CMU) and the Banking Union, including a European deposit insurance scheme (EDIS).

5.11 The ECB, along with most other major central banks in the world, will likely have to continue its "unconventional" monetary policies for as long as inflation expectations remain below target. It should also consider directly financing investment in green and digital transition projects.

5.12 The forthcoming Multiannual Financial Framework (MFF) should reflect the ambition of developing a resilient and sustainable economy. The Commission proposal for the MFF 2021-2027 will not enable sufficient resources to strengthen the following resilience factors: investment and the new investment stabilisation function; cohesion policies that favour economic and social convergence between the Member States; internal social cohesion policies inscribed in the European Pillar of Social Rights; and the just transitions advocated in this opinion. The EESC reiterates the request, contained in its opinion on the Multiannual Financial Framework after 2020[11] that the financial means available in the next MFF reach 1.3% of the GNI of the EU-27. The proposed cut in the financing of cohesion policies - by 10% compared to the current MFF, in the European Commission's MFF proposal - seems particularly unacceptable given the need to reinforce key policies boosting resilience and sustainability.

5.12.1 Dedicated financial resources should be in place to facilitate the transition towards a sustainable economy (e.g. a "just transition fund") in line with the proposal of the European Parliament in 2018 to create such as fund with an allocation of EUR 4.8 billion.

5.12.2 EU structural and cohesion policy should be mainstreamed along the "sustainable economy" paradigm. Although climate mitigation (and adaptation) is an existing priority in European Structural and Investment Funds (ESI) funding, this objective is mainly underpinned by support for renewables and energy efficiency. It is not yet generally mainstreamed in the sense of supporting the transition towards a climate-neutral economy and there are no dedicated priorities devoted to *just transitions.*

5.12.3 The EESC expresses its concern that the financing, through the EIB and the European Fund for Strategic Investment (EFSI), of fossil fuel energy projects is higher than that of clean energy. Although the funding for gas infrastructure is for a "bridge energy", it is necessary to apply stricter emissions targets.

5.12.4 The subsidy policies of the EU and the Member States must be in line with the goal of achieving climate neutrality by 2050. All subsidies for economic activities that impinge upon the achievement of this goal or that harm the environment in other ways should be eliminated as quickly as possible.

5.13 Given the kind of measures and scale of efforts required to handle the building of a more resilient and sustainable economy, the active involvement of the social partners and other representative civil society organisations in shaping the just-transition paths and paths to resilience will be indispensable. Strengthening worker participation and democracy in the workplace could contribute to higher adaptability and resilience at industry level. It is a factor of resilience that, in turn, strengthens other factors with which it has a positive correlation in the

11 OJ C 440, 6.12.2018, p. 106.

functioning of companies and the economy: productivity, innovation capacity, quality of employment, etc. Worker cooperatives can also provide a powerful model of democracy in the company, based on common interest and solidarity and rooted in the local area.

5.13.1 On the other hand, the participation of workers is essential for the success of green and digital transitions. Existing instruments for worker participation and democracy in companies must be used. The social partners and the European institutions must ensure that such instruments exist in all EU countries and that they establish relations with social dialogue procedures that promote fair transitions. The 2015 ILO guidelines on a just transition[12] provide a set of practical tools for governments and the social partners in managing this transformation process.

Brussels, 17 July 2019

Luca JAHIER
The president of the European Economic and Social Committee

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12 Guidelines for a just transition towards environmentally sustainable economies and societies for all, International Labour Organization (ILO).