**8.8.2022**

**No Green Deal without an Integrated Social Deal**

**Association for Consumer Rights Budget 2023 proposal**

The Association for Consumer Rights Malta urges Government to take action on the recommendations of the European Economic and Social Committee (EESC) opinion "No Green Deal without an Integrated Social Deal".

The ACR believes that the transition towards greener and more sustainable economic paradigms will trigger high economic costs carrying the risk of increasing social inequality and the erosion of social cohesion. There will be no "Green Deal" without an integrated "Social Deal".

**Recommendations by the Association for Consumer Rights**

**There are several key policy components necessary to guarantee a close link between the Green Deal and social justice**:

* States, companies and citizens together have to tackle rapidly evolving and fundamental challenges.
* They have to take joint responsibility for leaving nobody behind.
* Recovery must be built on

1. "protecting human and social rights, democratic values and the rule of law,
2. unlocking the full potential of the Single Market, achieving the Sustainable Development Goals (SDGs),
3. creating a **circular economy and achieving climate neutrality in the EU by 2050 at the latest**".

* The promotion of employment and skills, smooth transitions and dynamic social dialogue are clearly important elements.
* However, a Social Deal as an essential part of a New Green Deal is certainly not only related to "work".
* It is about income, social security and fiscal support for all who need it, including those without any access to work at all.
* The inclusion of all civil society actors has to be a shared endeavour and a common concern, even in company decision-making. consideration must begiven to the inclusion of the most vulnerable groups

**Companies have to contribute to the Green/Social Deal within their particular capacities.**

* While retaining the goal of being profitable and competitive at the same time, they can play a more prominent role in managing their specific contributions to make the Green Deal, the Recovery and Resilience Plans and the industrial transformation successful and socially beneficial.
* This includes the **promotion of entrepreneurship and the special role of SMEs, as well as the role of social economy enterprises,** which should be regarded as complementary actors in linking regional and local labour markets **to industrial change.**

**One key component of such an approach is a strong and forward-looking social dialogue**

This will also support a more open and participation-oriented corporate governance. While effective decision-making is one of the key prerequisites for the success of companies and while their boards need to retain the flexibility to balance individual stakeholder interests, **social dialogue can play a constructive role in order to improve the quality of company decision-making’.**

**The *workers' voice* seeks to effect a positive long-term change in the company** by drawing on internal know-how about its procedures, thereby improving risk management and compliance control. This increases the level of information and the quality of decisions to be taken in boards in line with the **European Pillar of Social Rights Action Plan** (of March 2021):

As Malta like all member states moves from crisis response to recovery, "social dialogue, information, consultation and participation of workers and their representatives at different levels (including company and sectorial level) play an important role in shaping economic transition and fostering workplace innovation, in particular with a view to the ongoing twin transitions and the changes in the world of work"[[1]](#footnote-1).

**National authorities and the social partners need to ensure that workers are informed and consulted and promote the participation of workers at company level with a view to fostering workplace innovation.**

This systematic understanding of the *workers' voice* in company decision-making regarding restructuring and innovation in the world of work should also be taken into consideration in **the reform of the European Semester and the national resilience plans**. EU trade policy could make greater use of this in the design of its common trade policy.

Although the existing National corporate governance framework provides guidance for companies on taking account of diverse stakeholder interests, **sustainable corporate governance requires a broader and pluralistic understanding of what a company is supposed to be.**

* While acknowledging the essential importance of shareholders in overseeing companies, there is the need to see an incentive to consider more appropriate and stakeholder-oriented company law, within the EU corporate framework, systematically recognising the *workers' voice*.
* A forward-looking approach of this kind should serve to better meet the enormous challenges posed by climate and digital change and recovery from the COVID-19 pandemic.

**Good corporate governance should be understood from the perspective of society,** combining the "costs" that sustainability entails for a company with the benefits that society reaps from more sustainable corporate governance. Alongside environmental benefits, these would include **advances in a more inclusive society, namely through the hiring of a more diverse workforce.**

**The voice of all stakeholders, especially of workers as constituent elements of the company, must be an integral part of efforts to foster the sustainable and competitive companies of tomorrow in a healthy environment. SMEs, cooperatives and the operations of the social economy play an important role in this concept.**

More open and inclusive thinking is necessary in the area of the economy in **order to empower proactive citizens as entrepreneurs, workers and consumers/prosumers** and enable its democratic and representative organisations to anticipate and shape the change[[2]](#footnote-2). In addition, companies should be guided in making their contribution to a more inclusive society. This is the most effective way **to meet the EU's objective of "leaving nobody behind".**

The **creation of long-term value as a duty of executive directors by pursuing long-term interests** and, therefore, **improving directors' accountability towards company sustainability** should be encouraged. **The contribution of workers through appropriate channels can also have a positive impact on long-term corporate strategies and investments**. Methods such as board-level representation of workers have on many occasions proved their positive contribution to long-term corporate strategies and investments

**The social dimension needs to be recognised in the future updated industrial strategy** and social as well as economic and ecological aspects have to be considered when developing Key Performance Indicators (KPIs) to better measure the transformation of European industry and its resilience in the post-pandemic period, to be included in the update of the EU industrial strategy which has been published by the Commission on 5 May 2021.

Social (including labour) as well as economic and ecological aspects must be considered on an equal footing. In addition to industrial policy and financial markets, the environmental and social dimension of KPIs should also be considered in corporate management accounting systems and decision-making and should measure natural, social and human capital beside financial capital.

The European Parliament and the upcoming EU Council presidencies need to lead this debate on how the interaction of all interest groups can be mapped out politically and also, eventually, in an improved legal EU Stakeholder Framework as one of the key prerequisites for climate-friendly and resilient, economically successful, long-term sustainable – and at the same time socially responsible – companies.

This should include consideration of the behaviour of investors and capital markets. In order to enable participation at European level and to ensure direct information, **the EESC calls on the EU Commission and the EU Parliament to follow up with the discussion on an EU framework directive for minimum standards on information, consultation and worker board-level participation in cases where companies adopt EU company law.**

**High quality in company decision-making is in the utmost interest of all stakeholders, including shareholders**. In this spirit, and driven by the EU's objectives under the Green Deal and the Recovery-Next Generation programme, policy-makers in Malta need to rethink the framework on corporate governance including the shareholder directive, with a view to further improvement, including the importance of impact assessment and adherence to the better regulation principles

While the responsibilities of all players (companies, authorities and civil society) must be clear, government needs to have a strong emphasis on a debate **towards a better framework for good corporate governance on the link to active labour market policies and their regional impacts, on effective public employment services, social security systems adapted to changing patterns of labour markets and on setting appropriate safety nets in terms of minimum income and social services for the most vulnerable groups, in line with EU policies .**

*Sources: EESC/INT 903, European Commission*

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1. <https://ec.europa.eu/info/files/european-pillar-social-rights-action-plan_en>. [↑](#footnote-ref-1)
2. The European Commission is preparing an initiative on the Green empowerment of consumers that will also cover certain social elements. In addition, there will be a sustainable product initiative that will require information to be provided about the sustainability criteria of certain categories of products and will also cover social aspects. [↑](#footnote-ref-2)