



ETUC Resolution on A new social impetus for the Internal Market Strategy 2010-2015

Adopted at the Executive Committee on 9-10 March 2010

The impact of the internal market on Europe's social model prompts certain concerns. The crisis has brought cruelly to light the weaknesses of the strategy based on deregulation and liberalisation. If the European Union fails to safeguard its social achievements and to reconcile internal market rules with workers' rights, further development of the internal market could prove more difficult. Protectionist reflexes will become more pronounced and the single market will be confronted with more distortions

Mere changes in internal market rules will not be enough to restore European citizens' confidence, even though doing so is vital to correct past errors (regulating the financial sector and setting up a better framework for public services, for instance).

A new social impetus is needed to strengthen workers' protection, including protection against competition that brings down salaries and working conditions. The ETUC considers it essential to adopt a social progress clause in primary law and directives in order to strike a balance among free movement of workers and services, fundamental rights and competition rules.

The new social impetus for the internal market also requires European economic governance. The crisis demonstrates that this is more urgent than ever at the moment. It should be based on common policies, particularly industrial and fiscal, so as to limit competition between systems and safeguard the financing capacity of social protection systems and public services.

1. Some new developments have taken place:
 - former Commissioner Mario Monti has been charged by Commission President Barroso with preparing a report on the internal market to counter the "internal market fatigue" and concerns about protectionism;
 - the new Internal Market Commissioner Michel Barnier has told the European Parliament that the internal market and social progress have to go together;
 - the Lisbon Treaty, which provides for a more social framework, has come into force and now has to be translated into Commission strategy.

The ETUC looks forward to an approach which, as in the Delors period, combines a stronger social policy agenda with ambitious legislative initiatives.

The aim of this ETUC contribution is to deliver an input to the Monti report and to the Commission's work programme on the internal market.

A lesson from the crisis: European economic governance more urgent than ever

2. The financial crisis, followed by the worst economic and social crisis since the 1930s, has affected the framework for the internal market. The crisis has wiped out many of the gains of recent years. Public finances have been severely affected. Millions of people are suffering the consequences. The International Labour Office (ILO) stated in its annual *Global Employment Trends* report that the number of jobless worldwide reached nearly 212 million in 2009 following an unprecedented increase of 34 million compared to 2007, on the eve of the global crisis. Since 2008, over 8 million people in Europe have lost their job and at present more than 23 million women and men are jobless.
3. However, the Commission in its “Challenges for deepening the Single Market” (8 December 2009) congratulates the EU about the gains over the period 1992-2006. The Commission saw “unfinished business” and “potential gains” and announced that there will be “a major set of initiatives by 2012, the 20th anniversary of the single market” to restore confidence so that it delivers its full potential for business and citizens. This is not the first time (the 2020 exercise is another) that the Commission seems to under-estimate the force, scale, and damage done by the crisis.
4. The economic and social costs of the crisis are much higher than the expected or claimed savings from the “better” or “smart regulation” agenda and from the transposition of the services directive which needs an assessment of its social consequences. The crisis put paid much of the old Lisbon Strategy. The rapid rise of unemployment and state debts and the consequences on public expenditure are major challenges for years to come and highlight the need for better European economic governance and coordination at European level.
5. Indeed, it was benign, light touch financial regulation which helped bring about the crisis. The deregulatory approach, which started under Reagan and Thatcher, has contributed to the disaster we are facing. For some time, the European Commission has been basing its internal market strategy on the same deregulatory approach. But now it is time for change. The Commission has to become the motor of an internal market balanced with a strong social dimension instead of prioritising competitiveness at all costs.

Financial regulation

6. Speculation against some countries in the Euro area underlines the urgency of calls for tougher financial regulation. The most important challenge is, in fact, to ensure that there is no return to business as usual. The financial and banking sector must be efficiently supervised and regulated and again contribute to sustainable economic growth and social development. Regulatory dumping must be stopped, and if necessary the European Union has to create its own rules to avoid another global crisis. The ETUC is making separate submissions on this point.

Greater fiscal coordination

7. EU Governments and others have saved the banks with taxpayers' money. One result is that some countries have a solvency problem and all have severe public deficits. The question of who pays the bill for the crisis is not answered yet. The total volume of crisis measures approved by the Commission between October 2008 and end of October 2009 amounted to around € 3 trillion. Now there is a need to avoid fiscal and regime competition, which undermines welfare states, social protection, and the financial stability of public expenditure. Yet until now, the Commission has avoided addressing aspects of tax competition in its internal market communications – this should change.

New resources and financial transaction tax

8. The predicted growth rates in Europe appear, perhaps, too weak to create growth, and new and better jobs. Policy makers all through Europe are too concerned with premature fiscal exit strategies, with wage freezes and wage cuts and cutbacks in welfare and public sector employment. Such policies risk killing domestic demand, trigger downwards competitive wage spirals, distort the internal market and increase unemployment and social misery. New resources are necessary; hence the ETUC asks for a new deal to inject 1% of GDP into the economy to boost jobs. The ETUC urges (as did the EP) to move forward on the idea of a financial transaction tax to ensure that the financial sector contributes fairly towards economic recovery since substantial costs and consequences of the financial crisis are being borne by the real economy, taxpayers, public services and workers. The EU is an independent economic entity, able to introduce a financial transaction tax on its own for purposes of international development, environmental improvement and anti crisis measures.

Public services

9. The crisis has raised the role of public services, no longer regarded by politicians as an expensive burden but as “automatic stabilisers” – it would probably be more correct to talk of “social stabilisers”. They are pillars of the European social model and important in term of sustainability. The ETUC does not accept that the Commission in its internal market strategy and the 2020 agenda continues the liberalisation and privatisation agendas and neglects the importance of public services. The financing of public services has to be ensured as investment in the future of the European social market economies. It is also necessary to develop a quality framework for the public services to fulfil its general interest missions.

Public Private Partnership

10. In November 2009, the Commission presented the development of Public-Private Partnerships (PPP) as an essential element of finding a way out of the crisis (COM 2009, 615 final, 19 November 2009). A very broad and unspecific definition of PPP underlying the document made it possible to subsume service concessions and public procurement procedures under PPP. PPPs were

presented as an instrument to promote “efficiency in public services” and to “relieve the immediate pressure on public finances”. The approach seems based on the ideological assumption that private is better. It is also a way of keeping public expenditure off Government balance sheets. The Commission sees a series of success stories and insists on focusing on the “challenge of why PPPs are not reaching their full potential?” It is strangely silent on failures of PPP, such as was the case with maintenance on London underground; and on the fact that some public-private partnerships, far from being long term initial commitments, are a new market in which the private side of the contract can change ownership with alarming frequency – another branch of casino capitalism.

Public procurement

11. Since the adoption of the revised directives on public procurement and, in particular, since the publication in August 2004 of “Buying green! A handbook on environmental public procurement”, the ETUC has asked for a similar handbook on social public procurement – and in fact the Commission initially promised to come up with such a guide. But now, six years on, we continue to wait for such a handbook to explain how social, employment and ethical considerations can be included in contracting processes. These vary from providing information and ensuring compliance relating to employment protection, working conditions, respect for ILO Conventions and collective agreements.

Industrial policy

12. The need for a new industrial policy is clear in all the countries of the EU: in those lagging behind and in need of major investment in order to modernise, in the powerful industrialised countries which are big exporters but hard hit by the crisis, and in the nations with a policy of industrial ‘laissez faire’. The ETUC has insisted that member states should be able to initiate public investments in order to facilitate the creation of new markets and new employment. (Cf. Resolution on Climate change, new industrial policies and the ways out of the crisis; Stockholm on 20 - 21 October 2009).

Company law

13. The need to ensure that businesses do not abuse the opportunities offered by the internal market to evade their legal obligations that would otherwise be applicable under national law have been highlighted by the discussions on the proposed European Private Company (SPE) Statute. Accordingly, the ETUC is renewing its call for the urgent adoption of a 14th Company Law Directive on cross-border transfers of registered offices to prevent the establishment of ‘letterbox’ companies. Such an initiative is an essential prerequisite to any further development of European company law, including in particular the adoption of the SPE Statute. The ETUC has called for vital modifications to be made to the proposed Statute for a European Private Company. It is crucial that the SPE Statute be accompanied by rules governing minimum standards on

workers' involvement and that the SPE does not put national legal forms – and the participation rights that are attached to it – under pressure. A cross border dimension and minimum capital requirements are therefore essential prerequisite to the establishment of an SPE. The ETUC has expressed its strong opposition to compromises which would constitute a regression for workers' rights both at European and national level.

Creating a fair and social Internal Market

14. The different facets of the current internal market strategy show that an in-depth review and overhaul are necessary. The completion of the internal market should respect the interests of people and workers and particular measures should not go ahead if there is no clear social benefit. Creating an internal market does not mean that everything should be deregulated. The Commission should only push for freedom of movement of goods and services if it is clear that the measures will not undermine the protection of workers. The ETUC is concerned that a revived internal market strategy will result in new attempts to deregulate and to increase the risk of a race to the bottom. The social dimension of the EU is partly a question of having a framework labour protection, including European laws preventing competitive undermining of wages and working conditions. The ECJ court cases like Laval, Viking etc. have been extremely detrimental to workers' support for the EU. The Commission and EU authority must take the necessary measures to make it clearer to the ECJ that the internal market rules are not a means to dismantle decades of national efforts to improve workers' lives.
15. For many years, the ETUC has been calling for a stronger social dimension for the internal market but the response has been inadequate. The ETUC now asks for "catch up": Action is needed to advance Europe's social objectives, in particular through an ambitious Social Agenda providing for equal treatment in terms of wages and working conditions applying to the place where the work is done; employment rights for excluded as well as domestic workers; joint and several liability and action against false self-employment; equal access to social systems; and the portability of rights, including transnational trade union rights.
16. **In particular, the ETUC continues to attach a very high priority to the introduction of a social progress clause in primary law, and for the necessary instruments in secondary law to balance the movement of workers and services, fundamental rights, and the competition rules. The ETUC also asks for a review of the Posting Directive and a framework for public services. Finally, the ETUC asks for the inclusion of the Monti clause in all legislation on the single market in order to ensure that the implementation of the four fundamental freedoms of the single market does not impede collective bargaining rights and the right to strike as defined by national legislation.**
17. If Europe fails to reconcile internal market rules with workers' and citizens' rights, then the integration process may come harder. Protectionist instincts will become more prominent and the single market will meet more interference. A

visionary and less market oriented approach is necessary to overcome the current concerns about the impact of the internal market on Europe's social model. The ETUC offers renewed support for the internal market, but on condition that the new vision is socially and environmentally sustainable, leads to a strengthening of social welfare and the general interest, and promotes workers' rights, and fair working conditions.