ETUC response to Mario Draghi's Report on the future of European competitiveness

Mario Draghi's Report on the future of European competitiveness was published on 9 September 2024.

Given the importance of the report, the ETUC and our affiliates have been active to influence the outcome, including by meeting with Mario Draghi during the Executive Committee meeting in March and by providing him with trade union analyses and recommendations (including the ETUC input to Draghi's Report on the future of European competitiveness).

While the ETUC agrees with the overall message about the need for significant investments to be delivered at European level and for an ambitious industrial policy, we do not agree with all of the policy recommendations, and some may create a threat to workers' rights.

The ETUC response to Draghi report should be read in conjunction with the ETUC response to the Report by Enrico Letta "Much More than a Market".

- **Key messages**

Social dialogue is a key component for our European competitiveness, as recognised also by the Val Duchesse Declaration for a Thriving European Social Dialogue. The ETUC has therefore called on Commission President von der Leyen to establish a **high-level social partners working group on how to deliver an EU industrial policy for quality jobs along with the other recommendations included in the report**.

High-quality jobs, good working conditions and social dialogue and collective bargaining are at the heart of competitiveness. Being serious about competitiveness means being serious about delivering quality jobs in every sector and in every region, about improving working conditions, about reinforcing social dialogue and collective bargaining, and democracy at work. Social cohesion is a key element for competitiveness.

The recommendations of the report with regard to the need for investments and for an ambitious European industrial policy should mark a turning point in the EU's approach. **The ETUC calls for an ambitious European industrial policy** with significant investments that supports common goods and innovation and delivers quality jobs and social progress, based on strong public services, social protection, housing, transport and childcare.

Failed austerity policies must be rejected and instead **the EU must establish ambitious common investment tools, develop progressive taxation policies and provide Member States with the necessary room for manoeuvre to finance the investments for industrial policy, public services, and just transitions**.

At the same time, the report does not identify the legislative actions necessary to ensure quality jobs and social progress. **The ETUC calls on the EU institutions to put forward the legislative initiatives outlined in the ETUC Manifesto for a Fair Deal for Workers**. A more social Europe is a precondition for a more competitive Europe.

Also, the ETUC is very concerned about the resurfacing of the deregulation agenda, in particular the call for the EU to "*self-restrain*" and the misguided arguments against 'gold-plating'. These have the potential to undermine essential rights. **The ETUC will**

firmly oppose any initiative that undermines workers' rights and standards. Protective rules ensure a level-playing field and a resilient, high-quality and future-proofed economy based on innovation and social cohesion, and should not be considered as a drag on competitiveness.

Commission President von der Leyen has included references to the implementation of several recommendations of the Draghi Report in the mission letters to the Commissioners-designate. It is therefore of high importance for the ETUC to put forward key proposals to inform the upcoming discussion with the Commissioners-designate on the delivery of the various recommendations in the Draghi Report.

ETUC key proposals with regard to Mario Draghi's Report on the future of European competitiveness:

- **Investments**. The ETUC has long identified the consequences for working people of chronic under-investment. The report recognises the current crisis of lack of investment and recommends additional investments of more than 800 billion Euros a year. The report also positively stresses the need to reinforce public investment and the EU spending capacity, including with proposals for joint public financing models at EU level for implementation and calls for a EU-financed facility using EU-named securities. The report is clear on financing needs but ambiguous on financing objectives and strategies, mostly relying on financial markets and overlooking the necessary social investments and the role of public investment banks. Also, the report fails to identify the significant limitations to the necessary additional investments that the economic governance framework imposes on Member States. **The ETUC calls for the EU to establish ambitious common investment tools, develop progressive taxation policies and provide Member States with the necessary room for manoeuvre to finance the investments for industrial policy, public services, and just transitions. There must not be a return to failed austerity policies.** It is key to implement a new fiscal capacity for investment leaving no one and no region behind, such as a European Sovereign Fund, financed through the issuance of common EU-denominated bonds to support a strong European industrial policy and investments in socially just green and digital transitions and common goods. The ECB mandate should be enlarged to include full and quality employment, and support to the ecological transition while fighting climate change in addition to its price stability one. Its secondary mandate for economic development should also be more prominent.
- **Industrial policy.** The report stresses the need for the EU to develop and put in place an ambitious and effective European industrial policy. The report recommends a mix of broad actions to establish the right conditions for investment, alongside targeted measures to address specific sectoral challenges. The ETUC calls for an ambitious European industrial policy with significant investment that underpins quality jobs and social progress to support common goods and innovation and deliver quality jobs and social progress, based on strong public services, social protection, housing, transport and childcare. Such an industrial policy should ensure the creation of quality jobs in all sectors and regions and contribute to address social and territorial inequalities.
- **Competitiveness cannot be based on wage repression.** The report positively recognises the importance of the European social model and highlights that promoting competitiveness should not be based upon "*wage repression to lower relative costs*". Despite these important statements, the report focuses almost uniquely on skills with regard to the recommendations to ensure quality jobs and a strong social contract. Social cohesion is a key element for competitiveness. It is key for the **EU to deliver the legislative proposals needed to ensure quality jobs and the full implementation of the European Pillar of Social Rights, included in the ETUC Manifesto for a Fair Deal for Workers**.

- **Better regulation and risks of deregulation.** The report includes better regulation pushes and proposals and risks of deregulation (e.g. "*It will also be crucial to reduce the regulatory burden on companies*"). In addition to an SME test, the report recommends a competitiveness test to be introduced and highlights the need of "*systematically assessing and stress-testing all existing regulation by sector of economic activity*" at the start of each Commission mandate and before adopting new EU legislation. **The ETUC rejects 'burden reduction' approaches that do not safeguard/ensure workers' rights and standards or that create downward pressure on wages or collective bargaining**. **The ETUC also rejects the attacks against "gold-plating".** Having higher standards at national level than the minimum standards agreed at EU level is not only perfectly in line with EU law as directive always define minimum standards but also a legitimate goal for any Member State.
- **28th regime.** The report calls for the establishment of a '28th regime' for interconnectors deemed to be Important Projects of Common European Interest, "*i.e. a special legal framework outside of the 27 different national legal frameworks*". **This proposal is highly problematic and must be rejected, as it would constitute an avenue for social dumping and undermining protective labour standards.**
- **Social conditionalities.** It is positive that the report mentions social conditionalities with regard to state aid and financing for businesses, even if limited to skilling, reskilling and childcare**. The ETUC reiterates its call for social conditionalities to be included in all public funding, state aid and support to businesses, as well as environmental and tax conditionalities.**
- **Right to training.** With regard to skills, the report calls for a fundamentally new and positive approach: "*the EU must ensure that all workers have a right to education and retraining, allowing them to move into new roles as their companies adopt technology, or into good jobs in new sectors*". However, the report falls short of calling for the necessary **actions at EU level to establish the right to training for all workers without costs and during working time**.
  It is also essential to ensure stable and long-term investments in education and research to foster innovation, critical knowledge and competitiveness based on quality.
- **Competitiveness Coordination Framework. The proposal to establish a new "Competitiveness Coordination Framework" to foster EU-wide coordination in priority areas and the proposal to consolidate accordingly also the EU budgetary resources raise significant concerns**, unless the EU multiplies its budget and its own resources. It remains unclear what role this competition coordination framework should actually have. **It is of paramount importance to reinforce, and not to undermine, social progress, upward social convergence and social objectives in the Semester process and in EU spending.** No new structures should be introduced with the effect of undermining wages and collective bargaining, social rights, social convergence, social progress to austerity.
- **Public procurement.** The report focuses on the role that public procurement procedures can play to support EU products and services, and contribute to innovation and an effective industrial policy. However, the report does not stress the need for the revision of the public procurement Directives to ensure the promotion of collective bargaining and quality jobs. **The ETUC reiterates its call on the EU institutions to revise the EU Public Procurement Directives to ensure that public money goes to organisations that respect workers' and trade union rights, that negotiate with trade unions and whose workers are covered by collective agreements.**
- **Pensions.** The report seems to over rely on the mobilisation of private investments and their ability to contribute to close the investment gap. It should be stressed that pension funds are workers' money: **adequate and safe pension income has to be fully safeguarded in any case, respecting national competences.**

A more detailed analysis can be found in Annex.

Annex – A more detailed analysis

- **The need for investments**

The ETUC has long identified the consequences for working people of the chronic under-investment in industry and public services, social progress and just transition.

The report recognises the current crisis of lack of investments in Europe and recommends an additional investment of more than 800 billion Euros a year. This corresponds to the investment rates of the 1960s and 1970s and would be an urgently needed boost for the European economy and for overcoming the enormous challenges of the present and future. The report supports public spending for investment as boost of internal demand. The massive investment needs outlined in the report would reach 4,4 - 4,7% of EU GDP. The report also positively stresses the need to reinforce public investments and the EU spending capacity. It also proposes joint public financing models at EU level for implementation, as such sums cannot be raised by the private sector alone, and calls for a EU-financed facility using EU-named securities. The report is clear on financing needs but ambiguous on financing objectives and strategies, mostly relying on financial markets and overlooking the necessary social investments. Also, the report fails to identify the significant limitations to the necessary additional investments that the economic governance framework imposes on Member States.

The report's recommendations for investments should mark a turning point in the EU's approach.

Failed austerity policies must be rejected and instead the EU must establish ambitious common investment tools, develop progressive taxation policies and provide Member States with the necessary room for manoeuvre to finance the investments for industrial policy, public services, just transitions.

It is key to implement a new fiscal capacity for investment leaving no one and no region behind, such as European Sovereign Fund, financed through the issuance of common EU-denominated bonds to support a strong European industrial policy and investments in socially just green and digital transitions and common goods. Also, there must be no blank checks, public money and support should come with social conditionalities to ensure the creation of quality jobs.

In full respect of personal taxation policy remaining a national competence, it is necessary to ensure greater progressivity in taxation of all kinds of income – including i) increasing taxation rates of the richest and ii) raising capital taxation rates at the same level as labour taxation iii) a taxation framework that better targets wealth accumulation and capital gains to increase taxation on wealth and real estate - while stressing the need for upward convergence of this progressive tax system in the Member States.

A strong and fairer Company Taxation framework is necessary and should be based on i) the implementation of the Commission's BEFIT plan for corporate taxation, which should include a minimum effective corporate tax rate of 25% and the possibility to tax companies in the country where they are running their activities – according to their sales, assets, and employment; ii) A new European mechanism allowing to tax windfall profits.

It is necessary to put an end to tax havens and tax avoidance. It is also important to develop proposals for a European digital tax, a European or international tax on financial transactions and/or the adaptation of international and European corporate tax and VAT rules to the digitalisation of the economy.

The report seems to over rely on the mobilisation of private investments and their ability to contribute to close the investment gap. The report however does not focus on the need to ensure redistribution of wealth, nor on the increase of dividends to shareholders which has accompanied the decrease in private investments. It also has to be noted that private investments do not align to common objectives in absence of a specific legislative framework. The lessons of the 2008 financial and economic crisis cannot be forgotten. Effective rules are needed against speculation and short-termism, to guarantee transparency and effective supervision, including with regard to insurances, and to ensure safe and adequate pensions. It should be stressed that pension funds are workers' money: adequate and safe pension income has to be fully safeguarded in any case, respecting national competences.

With regard to the European Semester process, the proposal to establish "*a new "Competitiveness Coordination Framework" to foster EU-wide coordination in priority areas, replacing other overlapping coordination instruments*" and the proposal to consolidate accordingly the EU budgetary resources raise significant concerns, unless the EU multiplies its budget and its own resources. It remains unclear what role this competition coordination framework should actually have. It is of paramount importance to reinforce, and not to undermine, social progress, upward social convergence and social objectives in the Semester process and in EU spending. No new structures should be introduced with the effect of undermining wages and collective bargaining, social rights, social convergence, social progress to austerity.

See amongst others the ETUC Resolution - Economic governance reform: ETUC priorities against austerity and for investments ; Resolution on the ETUC priorities on the Post-2027 EU budget and the next multiannual financial framework (MFF).

- **Industrial policy**

The report also stresses the need for the EU to develop and put in place an ambitious and effective European industrial policy.

The report recommends a mix of broad actions to establish the right conditions for investment, alongside targeted measures to address specific sectoral challenges. This reflects a broader principle of the report – the EU's focus on building a competitive, open, and innovative knowledge economy, while intervening in sectors where European companies face imbalances, such as varying decarbonisation speeds between Europe and other regions.

The report outlines four primary horizontal actions. First, the full implementation of the EU single market. Second, better coordination of industrial, competition, and trade policies to avoid internal protectionism and external barriers. Third, mobilising the necessary large-scale investments, including new EU borrowing for European public goods like innovation and cross-border energy grids. Fourth, strengthening EU-level coordination on industrial policy to move beyond the fragmented approaches that hinder economies of scale and global influence, as well as reducing the regulatory burden.

Regarding vertical actions, the report highlights the trade-off between decarbonisation, competitiveness, and security. To manage this, the report advocates for sector-specific green industrial policies.

The report points to the US Inflation Reduction Act (IRA) as a prime example of policy intervention aimed at closing the cost gap with China. The IRA, with its substantial tax credits and incentives for domestic production, is predicted to drastically reduce manufacturing costs for US solar companies, enabling them to compete more effectively with Chinese companies.

The report argues that the impact of the EU's Net Zero Industry Act (NZIA) on bolstering domestic manufacturing of solar panels is uncertain. Unlike the IRA, which explicitly encourages local production with bonuses and domestic content requirements, the NZIA lacks such targeted measures. Instead, it relies on vague "non-price and resilience criteria", which are insufficient to counter the substantial cost advantages enjoyed by Chinese manufacturers. The report’s critique of the NZIA revolves around its lack of concrete measures to directly incentivise local production and its limited financial scope. It stresses that without a more targeted approach, the NZIA would struggle to achieve its goal of boosting the EU's competitiveness in the clean technology market, leaving the EU reliant on foreign manufacturers, particularly in key sectors like solar panel manufacturing.

The report recognises China’s dominance in clean technology manufacturing and its strategic approach to industrial policy. The report stresses the need for the EU to carefully manage the trade-off between the benefits of accessing cost-effective Chinese clean technologies and the potential risks to EU competitiveness and security. It encourages the EU to adopt smart, technology-specific industrial policies that can ensure a level playing field and promote the development of strategic industries within the EU.

With regard to CBAM, the report recommends: (i) Close Monitoring & Design Refinement: monitoring of CBAM's implementation during its transition phase will be key to identify and address practical challenges, unintended consequences, and potential loopholes; (ii) Addressing Loopholes: Closing identified loopholes, such as the zero-emissions assumption for recycled materials and the lack of compensation for exporters facing higher ETS costs, is crucial to ensure CBAM's effectiveness and minimise unintended negative consequences; (iii) Simplified Approach & Data Collection: Exploring ways to simplify CBAM's design, including standardized carbon footprint accounting methodologies and readily available data sources, would help reduce the administrative burden on businesses and facilitate more efficient implementation; (iv) Transparency & Harmonisation: Promoting transparency for consumers through harmonised carbon footprint labelling within the single market can stimulate demand for greener products; (v) Digital Product Passports: Utilizing digital technologies like Digital Product Passports can streamline data collection, enhance accuracy, and improve the timeliness of information on product sustainability, facilitating more efficient CBAM implementation.

With regard to energy, the report recognises energy prices as a decisive competitive factor. It positively focuses on decoupling clean energy prices from fossil fuels and promoting other measures to reduce energy costs for businesses as means to improve competitiveness. It should be noted that, while the report acknowledges the need for regulation and public investment, it generally frames its recommendations within a market-oriented approach, focusing on leveraging competition and private sector innovation. The ETUC reiterates that "*the energy transition cannot be left solely to the market*" and advocates for a more active role for governments in regulating energy markets and limiting the influence of fossil fuel prices on electricity rates [ETUC resolution].

The report also recognises that lengthy permitting processes pose a significant barrier to investment in clean technologies and infrastructure projects, and advocates for extending and strengthening measures to expedite permitting procedures. The ETUC reiterates the importance of ensuring strong public services and public administrations with the necessary investments. With the public sector being a key economic actor in providing infrastructure, supporting innovation and protecting industries against unfair competition, good public administration is essential to the good functioning of the internal market and to support European competitiveness. It is key to guarantee universal rights-based access to high-quality public services, including childcare and transport.

The ETUC strongly backs an ambitious European industrial policy for quality jobs with significant investment to support common goods and innovation and deliver quality jobs and social progress, based on strong public services, social protection, housing, transport and childcare. This European industrial policy for quality jobs should be designed, developed and implemented through social dialogue. Investments should be available to support quality jobs in all sectors and all regions, ensuring social and territorial cohesion.

A European industrial policy has to be place-based. It is essential that regional, sub-regional and local governments work with trade unions on the ground, who are embedded in local economic structures and are an unparalleled source of expertise. it is important to build upon the "right to stay" principle, ensuring sustainable economic development and quality jobs in all states and regions. Ensuring improved working conditions and quality jobs – also in new occupations – is also essential to overcome labour and skill shortages. Industrial policy shall also prevent further delocalization of industries and jobs abroad and support more actively the relocalization of industries and jobs in Europe while doubling down on the fight against social, fiscal and environmental dumping. Such an industrial policy should ensure the creation of quality jobs in all sectors and regions and contribute to address social and territorial inequalities.

For the ETUC proposals for industrial policy, see – amongst others: ETUC Resolution for a European Industrial Policy for Quality Jobs; ETUC Resolution on social conditionalities for social progress; ETUC Resolution on Trade and industrial policy; ETUC Resolution on A Just Transition policy framework and Directive to anticipate and manage change; ETUC Resolution on Energy Union Regulation.

- **Competitiveness, quality jobs and Social Europe**

The report positively recognises the importance of the European social model and of preserving social inclusion. It states: "*Combining the creation of high-quality jobs with high levels of social protection and redistribution is a fundamental value of the EU model, which should be preserved to successfully transform the EU into a more technologically advanced society*" and "*transformation can best lead to prosperity for all when accompanied by a strong social contract*". Also, the report stresses that "*poor working conditions make it harder to attract workers*".

Also, the report highlights importantly that promoting competitiveness should not be based upon "*wage repression to lower relative costs*". "*Competitiveness today is less about relative labour costs and more about knowledge and skills embodied in the labour force*".

The report recognises the critical importance of the European welfare state to provide "*strong public services, social protection, housing, transport and childcare*". It states that "*besides job conditions, other circumstances including housing and connectivity can play a significant role in attracting workers*". In order to ensure higher labour market participation, in particular for women, it calls for – amongst others – "*additional investment in high-quality early childhood education and childcare infrastructure*" and "*fair wages to childcare workers*". The report also recommends the improvement of working conditions of teachers.

Despite these important statements and recognitions, the report focuses almost uniquely on skills with regard to the recommendations to ensure quality jobs and a strong social contract. The positive exceptions are the calls for the EU to consider more progressive taxation by promoting "*a coordinated reduction of labour income taxation for low- to middle-income workers*" and for competition policy to "*also address practices* *that limit labour mobility between companies like the non-compete and no-poach agreements*".

Amongst others, also the need to ensure occupational health and safety, as well as to tackle gender inequalities, are not tackled in the report.

As outlined in the ETUC input to Draghi Report on the future of European competitiveness, the ETUC reiterates that European competitiveness must be based upon social progress, quality jobs and upward social and wage convergence and promote collective bargaining and social dialogue. It is necessary to develop and to reinforce Social Europe to ensure the European competitiveness.

High-quality jobs, good working conditions and social dialogue and collective bargaining are at the heart of competitiveness. Being serious about competitiveness means being serious about delivering quality jobs in every sector and in every region, about improving working conditions, about reinforcing social dialogue and collective bargaining, and democracy at work. Social cohesion is a key element for competitiveness.

Ensuring quality jobs and improving working conditions is key also to address labour shortages. According to ETUC research, wages are on average 9% lower in sectors with high labour shortages (see also ETUI Policy Brief on Labour shortages – turning away from bad jobs). When the importance of tackling labour shortages is mentioned, the report fails to outline the necessary initiatives at EU to ensure quality jobs and improve working conditions in all sectors, including with regard to health and safety at work.

Legislative initiatives and investments, as well as support for collective bargaining and increasing collective bargaining coverage, and reinforcing democracy at work, are necessary to ensure quality jobs and social progress in all regions and sectors, in line with the ETUC Manifesto for a Fair Deal for Workers.

It is key for the EU to deliver the legislative proposals needed to ensure quality jobs, building upon the La Hulpe Declaration on the Future of the European Pillar of Social Rights. These proposals are included in the ETUC Manifesto for a Fair Deal for Workers, a programme that identifies the democratically chosen priorities of working people and their trade unions. They include, amongst others, the following:

- A Directive on Just transition in the world of work, through anticipation and management of change, based on the principles of trade union involvement and collective bargaining, and to ensure the right for all to training without cost to the worker and during working time;
- Regulating the role of labour intermediaries and introducing an EU general legal framework limiting subcontracting and ensuring joint and several liability through the subcontracting chain;
- Addressing psychosocial risks and online harassment and shaming at work through a European Directive;
- Ensuring effective regulation of AI with the 'human in control' principle incorporated into EU law through a Directive on AI at the workplace;
- Delivering a Directive on Telework and the Right to Disconnect;
- Reinforcing democracy at work in the first place by strengthening collective bargaining, introducing a comprehensive EU framework on information, consultation and participation, and fully safeguarding well-functioning collective bargaining systems;
- Guaranteeing that the revision of the Directives on public procurement ensures that public money goes to organisations that respect workers' and trade union rights, that negotiate with trade unions and whose workers are covered by collective agreements.

The above-mentioned elements are necessary to deliver quality jobs and to reinforce Social Europe, thus contributing to European competitiveness. They are of high importance also in view of the upcoming Quality Jobs Roadmap, the new Action Plan on the Implementation of the European Pillar of Social Rights, and the new Pact for European Social Dialogue.

- **Right to training**

With regard to skills, the report calls for a fundamentally new approach: "*the EU must ensure that all workers have a right to education and retraining, allowing them to move into new roles as their companies adopt technology, or into good jobs in new sectors*".

It focuses on: (i) Upskilling and Reskilling: Promote lifelong learning to help workers adapt to changing job requirements driven by the green and digital transitions; (ii) Coordination across Value Chains: Address skills shortages within critical value chains, supporting large downstream producers and SMEs in training their workforce; (iii) Targeted Funding: Prioritise EU funding for initiatives that aim to bridge existing skills gaps in clean technologies; (iv) Social Conditions in State Aid: Incorporate social conditions related to skilling and reskilling within the Temporary Crisis and Transition Framework (TCTF) for strategic investments.

Policy recommendations in the report highlight the need to: (i) Collect granular data on skills needs, stocks, and flows, (ii) Revise education curricula to meet evolving skills demands, (iii) Improve and harmonise skills certification across EU Member States, (iv) Rethink the design, funding, and implementation of skills policies, with a focus on adult learning, vocational training, strategic sectors, and rigorous programme evaluation.

The report includes the correct focus on the right to training and puts forward several positive recommendations (including with regard to involvement of social partners). However, the report falls short of calling for the necessary legislative actions to establish the right to training for all workers without costs and during working time.

It is key to ensure that employers take their responsibilities to upskill and reskill workers, including for digital and green transition skills needs. Member States should improve their adult learning systems to ensure better access to continuous professional development courses, without costs and during working time, by using paid education leave rights, in order to improve workers' qualification levels. Respect of collective agreements and effective social dialogue on skills needs and provision are essential. Member States should also ensure stronger support to social partners training funds, and improve validation systems (to ensure better access to workers), and guidance systems (to provide free and quality career and learning advise to workers).

The report would have benefitted from stronger focus on key competences that people need for their everyday life and increasingly for work (language learning, teamwork, learning skills, etc...).

It is also essential to ensure stable and long-term investments in education and research to foster innovation, critical knowledge and competitiveness based on quality.

- **Social conditionalities and public procurement**

It is positive that the report mentions social conditionalities with regard to state aid and financing for businesses, even if limited to skilling, reskilling and childcare: "*The EU could consider including specific social conditions to EU financing in certain sectors or for companies, such as childcare plans*"; the State aid Temporary Crisis and Transition Framework (TCTF) "*could include social conditions linked to skilling and reskilling*".

These recommendations build upon the Letta report, that already included calls for social conditionalities.

Investments cannot be a blank check when it comes to workers' rights and working conditions. The ETUC reiterates its call for social conditionalities to be included in all public funding, state aid and support to businesses, as well as environmental and tax conditionalities.

The report also focuses on the role that public procurement procedures can play to support EU products and services, and contribute to innovation and an effective industrial policy. However, the report does not stress the need for the revision of the public procurement Directives to ensure the promotion of collective bargaining and quality jobs.

The ETUC reiterate its call on the EU institutions to revise the EU Public Procurement Directives to ensure that public money goes to organisations that respect workers' and trade union rights, that negotiate with trade unions and whose workers are covered by collective agreements.

See amongst others the ETUC Resolution on social conditionalities for social progress.

- **Internal market and labour mobility**

The report identifies the "*full implementation of the Single Market*" as one of its key building blocks. However, this objective mainly translates into a narrative calling for reduced burdens and cross-border obstacles for businesses. While many aspects of the report focus on how to strengthen competitiveness of European business in the world as well as within the EU, little attention is given to concerns actually stemming from unfair competition among companies in the single market. Fair play is key for building a sustainable and inclusive market for both workers and business. Unfair competition remains a major stumbling block for workers and responsible businesses to reap the benefits of the internal market. Therefore, better enforcement of existing rules and closure of legal loopholes are needed to effectively tackle fraud and abuse.

Looking at the freedom to provide services, beyond purely digital and financial services, the report puts forward recommendations to simplify posting procedures for employers and to review the necessity of certain types of professional regulation in Member States. Although the report recognises – as anticipated – that good wages and working conditions can have a positive impact on labour mobility by stating that "*competitiveness today is less about relative labour costs and more about knowledge and skills*" but that "*differences in social welfare systems, including healthcare, pensions, and unemployment benefits, create uncertainty for workers moving across the EU*", these realisations do not seem to translate into any concrete recommendations. While labour mobility can play a part in alleviating skills and labour shortages, the report underestimates the importance of fair mobility and ignores that many Member States actually experience the same types of shortages. Labour mobility cannot be seen as a quick fix to remedy underlying problems rather linked to poor working conditions, regional disparities and the need to focus on skills development and social inclusion.

See amongst others: the ETUC Resolution for Fair Labour Mobility and Migration and the ETUC Position on the Review of the Mandate of the European Labour Authority.

- **Better regulation and risks of deregulation**

The report builds upon and goes beyond the basic narrative of the Commission's Better Regulation Agenda, which traditionally has been preoccupied with administrative burden and cost reduction for business. By making statements such as "*we claim to favour innovation, but we continue to add regulatory burdens onto European companies, which are especially costly for SMEs*", the report is suggesting an outright deregulatory approach: "*It will also be crucial to reduce the regulatory burden on companies*."

Without paying much attention to the merits of legislation, the report simply reproduces the perceptions put forward by business: "*Regulation is seen by more than 60% of EU companies as an obstacle to investment, with 55% of SMEs flagging regulatory obstacles and the administrative burden as their greatest challenge*." According to the report, "*the rising weight of regulation*" means that European companies "*need to comply with the accumulation of or frequent changes to EU legislation over time*". In addition to an SME test, the report recommends a competitiveness test to be introduced and highlights the need of "*systematically assessing and stress-testing all existing regulation by sector of economic activity*" at the start of each Commission mandate and before adopting new EU legislation. This streamlining would be overseen by a Commission Vice-President for Simplification.

To remedy business concerns about a growing regulatory burden, the report considers that "*the EU should do less, applying the subsidiarity principle more rigorously*" and "*apply a 'self-restraint' principle in policymaking, both by better filtering future initiatives and by streamlining the existing acquis*". Following this logic, the report goes as far as suggesting that "*the Commission should choose to postpone initiatives which are particularly problematic from an innovation standpoint or with a disproportionate impact on SMEs*." It also recommends that national parliaments be encouraged to more actively use their scrutiny through yellow card procedures. What the report misses, however, is consideration of the other side of the subsidiarity principle, namely the added value of EU action as a means to set common standards to promote joint interests, address cross-border issues and tackle shared challenges. Reducing EU regulation might conversely result in 27 national legal frameworks without any common basis. The report therefore seems somewhat contradictory, by on the one hand promoting national subsidiarity, and one the other hand accusing Member States of 'gold-plating' when implementing EU directives. In particular when it comes to social policies, the constitutional privilege of Member States to go beyond common minimum standards must be respected. With regard to SMEs, the report also misses that unfair competition is one of the biggest threats to bona fide SMEs.

Moreover, the report not only suggests to "*fully implement the announced cut by 25% of reporting obligations*" but also to "*commit to achieving a further reduction for SMEs up to 50%, upholding proportionality for SMEs in EU law and extending it to small mid-caps*". According to the report, the Commission's efforts under the Better Regulation Agenda have had "*limited impact so far. The stock of regulation remains large and new regulation in the EU is growing faster than in other comparable economies*." Still, the report acknowledges that "*the EU's approach has delivered outstanding outcomes in terms of governance, health, education and environmental protection*", but no reflection is made about the connection between quality regulation on the one hand, and improved living conditions and life expectancy, on the other. The report praises the European social model characterised by high standards and the rule of law, but fails to recognise the important role regulation plays for upholding this model.

The report points out that the EU lacks a common methodology to asses the regulatory burden on European companies, and therefore recommends such a "*methodology should be applied to all new legislation and be adopted by co-legislators when amending legislation. It is also recommended to add a new standard requirement in the article on the transposition of directives requiring Member States to systematically assess new legislation using the same methodology as the EU institutions. At the same time, the Single Market Enforcement Taskforce (SMET) should be strengthened and focused on evaluating and addressing instances of incorrect transposition and transposition which* *exceeds the requirements of EU directives. Finally, implementation and enforcement authorities in the Member States should be streamlined and merged*." Reducing the EU legislative process to a quantitative exercise of burdens and costs for business, pre-empts rather than informs the democratic process, thereby also disregarding the merits of quality legislation as a long-term investment in our shared future. The interests of business cannot be put on an equal footing with the general interest, which also includes the interests of e.g. workers, consumers, the environment and the public.

The ETUC is very concerned about the resurfacing of the deregulation agenda, in particular the call for the EU to "*self-restrain*" and the misguided arguments against 'gold-plating'. These have the potential to undermine essential rights. The ETUC will firmly oppose any initiative that undermines workers' rights and standards. Protective rules ensure a level playing field and a resilient, high-quality and future-proofed economy based on innovation and social cohesion, and should not be considered as a drag on competitiveness. Amongst others, it is key to ensure the full transposition and application of the Corporate Sustainability Due Diligence Directive.

The ETUC rejects 'burden reduction' approaches that do not safeguard/ensure workers' rights and social progress or that create downward pressure on wages or collective bargaining. The EU competitiveness should be built on strong social and environmental standards. The ETUC also recalls the key importance of the precautionary principle enshrined in the Treaties.

The ETUC also rejects the attacks against 'gold-plating'. Having higher standards at national level than the minimum standards agreed at EU level is not only perfectly in line with EU law as directive always define minimum standards but also a legitimate goal for any Member State. This possibility must be protected at any cost, in particular in the employment and social area.

See amongst others: ETUC Resolution on Better Regulation for All.

- **28th regime**

The report calls for the establishment of a '28th regime' for interconnectors deemed to be Important Projects of Common European Interest, "*i.e. a special legal framework outside of the 27 different national legal frameworks*". This proposal is highly problematic and must be rejected.

The report regrets the failure of the European Private Company (2008). However, it says nothing about the reasons for its failure: a 28th regime would lead to forum shopping, to companies being set up in the Member State that imposes the fewest requirements or where controls are not as strict. This is an invitation to all those who want to set up letterbox companies for tax evasion or social dumping.

Moreover, the case of the European public-limited company (Societas Europaea) shows that this legal form is mainly used in Member States with highly developed workers participation rights as a tool for circumvention. A whole business model has emerged in Europe that offers such legal form. The providers openly advertise the circumvention of workers' participation rights. That is not the Europe we want.

The proposed new 'Innovative European Company' (IEC), which would be "*harmonising legislation concerning corporate law and insolvency, as well as a few key aspects of labour law and taxation*", is also highly problematic and must be rejected. This would constitute an avenue for social dumping and for undermining protective labour standards!

- **Competition policy and policy coherence**

Next to the completion of the single market, the report considers that "*there is a lack of coordination across policies*", which should also be addressed to enhance Europe's competitiveness. For this, important "*building blocks are industrial, competition and trade policies, which interact closely and must be aligned as part of an overall strategy*." Looking more closely at competition policies, the report considers that pitfalls of the past should be avoided, "*such as defending incumbent companies or picking winners*". Instead, competition enforcement should be organised according to a set of key principles. Notably, "*the focus of such policies should be on sectors rather than companies; public support should be continuously evaluated, underpinned by a rigorous monitoring exercise; and market failures should be clearly specified and public authorities should avoid duplicating what the private sector would already do*". Concretely, the report proposes to e.g. introduce a "*public interest criterion*" as part of EU competition enforcement. However, the criterion seems to be limited to "*security, resilience, and the related disruption risks to the EU economy*." Such a proposed public interest test completely misses the labour market dimension and the need for safeguarding and creating quality jobs.

When it comes to antitrust control, the report importantly considers that "*competition policy should also address practices that limit labour mobility between companies like the non-compete and no-poach agreements*", since these and other related clauses "*prevent employees from joining (or starting) a competing company. While the use of such restraints has traditionally been justified on the basis that they protect legitimate business interests (e.g. trade secrets), there are increasing concerns that they are being deployed to stifle job mobility and competition*." In order to ensure sustainable and socially responsible markets, competition enforcement should indeed focus on broader societal interests than only consumers, and increasingly address not only exclusionary but also exploitative behaviours.

While the report notes that the existing EU Treaty provisions are sufficiently broadly worded to allow the Commission to make competition enforcement more forward-looking and agile, such considerations cannot be limited to assessing mergers in the light of innovation, global and future competition. In spite of stating that "*competitiveness should not be seen in a narrow sense of a zero-sum game focused on conquering global market shares, [...] defending 'national champions' that can stifle competition and innovation, or using wage repression to lower relative costs*", the report's suggested approach to merger control does not include considerations on its impacts on employment and working conditions. Clearing mergers should increasingly be coupled with behavioural remedies aimed e.g. at ensuring respect of the acquired rights of workers, collective bargaining and democracy at work, as well as e.g. prohibiting mass redundancies or relocations, and prescribing upskilling and reskilling opportunities for the workforce. Merger policies must also be seen in a broader policy context of both social and territorial cohesion.

The ETUC reiterates that more socially responsible competition policies are needed, as are enforcement priorities that are more attentive to the needs workers and public interests, addressing e.g. excessive market concentrations and strategic dependencies, promoting just transition, collective bargaining and quality jobs. An ETUC Report on Competition and Labour (2023) outlines how labour market concentration has become a lasting trend throughout the OECD, where today one in six workers are employed in concentrated markets with even larger shares in rural areas as well as among frontline workers in e.g. retail and health. Increasing corporate concentration and labour market monopsony directly feeds into a wider reliance on unfair labour practices and a downward pressure on wages and working conditions. To ensure fair competition and rebalance corporate power, collective bargaining, trade union involvement and workers' rights must be given greater attention in competition enforcement to tackle adverse impacts on the labour market when it comes to not only exclusionary but also exploitative business behaviours.

See amongst others: ETUC Resolution for a More Sustainable and Inclusive Competition Policy; ETUC Study on Competition and Labour.

- **Trade**

The report rightly points out that trade is and should continue to be used as the EU "*foreign economic policy*" and that trade is an essential part of an industrial policy.

The report recommends preferential trade agreements and direct investment with resource-rich nations, building up of stockpiles in selected critical areas, and the creation of industrial partnerships to secure the supply chain of key technologies as the main elements of this foreign economic policy. The ETUC can support these recommendations.

The report stresses that raising trade surpluses is only a narrow notion of competitiveness and recommends to address an unlevel global playing field due to (i) asymmetries in regulation or (ii) large subsidies abroad.

For the first problem, the ETUC insists that the regulatory gap in the multilateral system also includes uneven implementation of ILO core conventions/suppression of workers' rights. This aspect should have been more explicitly recognised in the report, with a clear recommendation that addressing labour standards is also good for competitiveness, as it eliminates unfair competition. Raising standards worldwide must continue to be an aim of EU trade policy, not just market opening.

For the second problem, the ETUC view is that the EU cannot stop China or the US subsidising their industries and that a discussion on this at the WTO is long overdue. Rules preventing support to domestic industries are antiquated and the EU itself should, in a coordinated way, 'subsidise' domestic industrial policy. The ETUC would also argue that WTO rules need to be reformed to allow countries the regulatory space to act in the public interest, to support domestic industry (through local content requirements, currently forbidden by WTO rules but among the report's recommendations) in a transparent fashion and with strong social conditionalities as these would help level the playing field and prevent a subsidy race that the EU stands to lose unless it puts the money where the mouth is collectively.

The report recommends that these policies be organised according to a set of key principles that embed best practice. Amongst other things, the focus of such policies should be on sectors rather than companies; public support should be continuously evaluated, underpinned by a rigorous monitoring exercise. The ETUC agrees with it all.

The report also recommends establishing industrial partnerships with third countries in the form of offtake agreements across the supply chain or co-investment in manufacturing projects. The EU's Global Gateway could be leveraged for the necessary investment. However, in the ETUC's view, the problem with the GG is that there is no social impact assessment of the projects it finances or provides guarantees for.

In the detailed recommendations (in-depth document), the section on critical raw materials contains a reference to using FTAs and the Team Europe approach to increase leverage. FTAs and Team Europe cover a wide range of countries. These tools could support EU companies in securing needed supplies. But there is no mention of the conditions that should be included in these FTAs, in particular labour clauses. The ETUC regrets that when the US put on the table the inclusion of such clauses in the bilateral partnership agreement with the EU on raw materials, the EU refused such inclusion.

Another recommendation is to explore alternative trade policy approaches to increase diversification. One option is the ‘Club approach,’ where resource-intensive and resource-rich countries collaborate to diversify critical raw material value chains together to ensure a more stable global market. Going forward, the creation of a G7+ Critical Raw Materials Club could potentially be an effective instrument for the EU’s critical raw materials diplomacy.

The ETUC agrees with this approach: it is better to ally with like-minded partners and progressively reduce the field of rogue countries, than to exacerbate dependency from the latter. The main advantage of these 'clubs', in the ETUC view, is the free trade in critical raw materials extracted and processed in compliance with environmental and social standards, ensuring the full respect of workers’ rights and collective bargaining. This is rightly identified in the report.

See amongst others: the ETUC Resolution on Trade and industrial policy; the ETUC Resolution on a Rights-based trade policy for workers and jobs.