

## ETUC position on the Single Market Act II

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### Introduction

Celebrating the 20th anniversary of the Single Market, the European Commission launched in October 2012 the Single Market Act (SMA) II<sup>1</sup> as a follow-up to the first SMA presented in April 2011. The SMA II focuses on a second set of 12 levers to drive growth and develop the Single Market in four areas: 1) developing fully integrated networks in the Single Market; 2) fostering mobility of citizens and businesses across borders; 3) supporting the digital economy across Europe; and 4) strengthening social entrepreneurship, cohesion and consumer confidence.

### ETUC position

The ETUC regrets that the Commission's internal market strategy continues to be based on further liberalisation and privatisation and appears to ignore the importance of public services. The new SMA does not contain any proposals to strengthen the social dimension. The ETUC has always insisted that the European Single Market must serve the workers and citizens by guaranteeing workers' rights and social protection. The Single Market is not an end in itself, but a tool for achieving social progress.

The Single Market will never be complete if the social dimension is not taken seriously. The Single Market should reflect a social market economy aimed at full employment and social progress, and a high level of protection and improvement in the quality of the environment and the promotion of social justice and protection as set out in the Treaty.

#### *A Social Progress Protocol*

In the SMA I, the Commission made a commitment to clarify the exercise of freedom of establishment and the freedom to provide services alongside fundamental social rights, which resulted in the proposal for the Monti II Regulation. Although the ETUC welcomed the withdrawal of the proposal, the problems created by the judgments of the European Court of Justice (ECJ) remain. The Commission should therefore honour its commitment by making it absolutely clear that all free movement provisions of the Treaty must be interpreted in such a way that fundamental social rights are respected. The ETUC believes that the only solution is to attach a Social Progress Protocol to the Treaties ensuring that fundamental social rights take precedence over economic freedoms.

#### *Developing fully integrated networks*

The financing of public services has to be ensured as an investment in the future of European social market economies. Developing fully integrated networks for rail, maritime, air transport and energy, by pursuing vigorous enforcement of the competition rules alone will not guarantee the quality of services nor universal access to these services.

The ETUC has already made it clear that the development of an internal market for transport requires a strategy that takes into account not only economic and environmental challenges but social ones as well<sup>2</sup>. The Commission should impose rules based on safety, quality, accessibility and respect for working conditions and the environment on all operators in the European transport market. For this, it is necessary to move away from the current ideological approach, according to which the liberalisation of the transport sector is a key principle, when

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<sup>1</sup> COM(2012) 573 final

<sup>2</sup> ETUC resolution on the European Commission's Transport White Paper adopted on 19-20 October 2011

experience already shows that a free market approach does not necessarily lead to an effective running of public services (for instance the impact of liberalisation measures in the energy sector).

The ETUC therefore urges the Commission to adopt a radically new approach, taking into account the general interest dimension of the transport sector, and to look at labour standards, not as a barrier to further liberalisation, but as an essential component for the quality and the sustainability of the sector. Free markets alone do not generate sufficient incentives to ensure the fulfillment of public service obligations.

The ETUC is reiterating its call for a moratorium on liberalisation until a proper evaluation of previous liberalisations and privatisations has been conducted.

The ETUC demands an effective European energy policy promoting a smart grid for European electricity and gas production and transmission to ensure a sustainable energy mix with a higher share of renewables, guaranteeing security of supply and affordability for industry and household consumption. This demands a re-evaluation of the Commission's strategy on the liberalisation of energy markets with an increased role for European and national public authorities in energy markets, through a European Energy Agency. National planning and the initiation of new major and decentralised energy production projects are needed to ensure the long term supply of electricity, as well as investment in energy efficiency, improved energy technologies and the social anticipation and management of related industrial change.

The ETUC calls for measures to prevent negative social impacts of rising energy prices, the priority being to reduce energy needs by investing in energy efficiency for social housing and affordable low-energy alternatives for vulnerable consumers. The ETUC urges the Commission to assess the social consequences of the climate change package within the context of the opening up of the electricity and gas market, addressing in particular the impact on vulnerable consumers and electricity public service obligations. Especially, due to the possible increase of 15 to 20% in electricity prices by 2020 as a consequence of the climate change package. Universal access to essential energy services needs to be secured to all people living in Europe, notably through the provision of social tariffs and through public services. Therefore, enforcing the implementation of the requirement for universal and affordable access to services in existing EU sectoral directives is required, such as through additional provisions on access to a minimum supply of energy, to secure the energy provision of the poor and protect them from power disconnection through establishing a right to energy supply.

#### *Fair mobility*

A European labour market requires European 'rules of the game', combining open borders with adequate protection. These key conditions are equal wages and working conditions for work of the same value on the same territory; respect for national collective bargaining and indispensable industrial relations systems and dynamic tools to manage change in a democratic way; equal access to social benefits for all workers; proper instruments and tools for the monitoring, enforcement and application in practice for stakeholders at all relevant levels, including the social partners.

The EU needs a rigorous commitment from its Member States to base the free movement of workers provisions of the Treaty on the host country principle (equal treatment and non-discrimination of workers and companies in the place where the work is done).

The ETUC welcomes the aim to improve labour market mobility and to make EURES more effective. However, it must not be reduced to a simple recruitment, job matching and placement tool, whilst neglecting its role as an advisory and information tool for mobile workers and a forum for cross-border social dialogue, which is fundamental to removing obstacles to mobility and preventing social and wage dumping across borders.

The ETUC agrees that a European solution is needed for the issue of the portability of supplementary social security rights, which is a real obstacle to mobility. Such a solution, however, must respect the role of the social partners and collective bargaining agreements. It is crucial that the rights that have been acquired cannot be lost.

#### *Access to finance*

The Commission argues that the cross-border mobility of businesses is hampered by difficulties in funding new business projects and the administrative burden, in spite of the fact that the Commission has already taken action on the bulk of the legal acts that it considers burdensome. Furthermore, the administrative burden of regulation cannot be treated in isolation from the benefits to society.

With regard to facilitating access to long-term investment funds, the ETUC is of the opinion that this should be constructed in such a way that the key principle of neutrality towards the public or private nature of the ownership of investment projects is being strictly respected. In practice, this implies that these investment funds have to be open to 100% public initiative investment. The latter would also help in countering the ongoing and perverse trend of public investment cuts, driven by the strategy of austerity.

Although access to finance has become more difficult, the problem is not limited to long term investment only. One important characteristic of the crisis in Europe is that many companies have restricted access to credit and/or are ridden with high debt loads. This implies that companies try to replace credit with accumulated profit retention. By deregulating wage formation systems and promoting a downwards flexibility of wages, European and national policymakers are currently giving companies the possibility to rise their profit margins at the expense of the workers. This policy fosters neither competitiveness, nor investment. This is a policy that is not only creating new and even higher inequality; it is also a policy that threatens to undermine aggregate demand. The Commission should urgently address this problem.

Corporate governance and insolvency rules

The ETUC regrets the Commission's lack of vision for a sustainable corporate governance model in the Single Market. EU company law overemphasizes businesses' and shareholders' needs to the detriment of the interests of workers and other stakeholders. Furthermore, the current piecemeal approach and lack of global vision for EU governance lead to regime competition between the Member States and short-term business strategies throughout Europe. EU company law should focus on promoting a coherent, sustainable and forward-looking corporate model, including an EU framework instrument on workers' involvement.

The ETUC is in favour of a revision of the EU insolvency rules. The protection of workers against the threat of insolvency needs to be improved and the position of workers in the case of insolvency needs to be strengthened. Furthermore, "regime shopping" must be avoided so that companies cannot seek out the national insolvency regime which is the most disadvantageous to worker interests.

#### *Financial coordination and tax justice*

A Single Market requires effective regulation and supervision of the financial sector. The Commission should ensure that it contributes to sustainable economic growth and social development.

Measures should be taken at European level to close tax havens, prevent tax evasion and fraud and restore tax justice between capital and labour and rich and poor. There is a need for greater tax policy coordination in order to avoid tax and regime competition, which undermines welfare states, social protection, and the financial stability of public expenditure. The primary objective

of the harmonization of corporate tax law and minimum rates of taxation for companies should be the stabilization or increase of public revenue.

The ETUC is also reiterating its call for 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 and in particular, the workers and taxpayers.

### *Restructuring*

The ETUC demands concrete action from the Commission to create a strong legal framework on the anticipation of change: 1) preparing and enabling workers is the key role of education and training; 2) maintaining and creating jobs is the key role of industrial policy and a sound public investment policy; 3) information, consultation and participation play a key role in giving workers a voice and place in strategic decisions-making; 4) within a European legal framework there should be a key role for collective bargaining; 5) providing a safety net is the key role for active labour market policies, social protection and support measures.<sup>3</sup>

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<sup>3</sup> ETUC Resolution "Anticipating change and restructuring ETUC calls for EU action", March 2012