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EU at crossroads: social union or disintegration?

Since the Single Market Act largely unfettered competition and liberalization of trade in goods, services and people has become the genetic code of the European Union. European integration has thus been hijacked by the vested interests of big capital and has contributed to social dumping. In the absence of upward social rights this encourages inter-countries, inter-companies and inter-workers rivalry and weakens social standards in the member states. Together with the framework for the European Monetary Union (fiscal compact, stability and growth pact...) this competition reduces the financial resources for the various national social security systems, hurts growth, employment and debt sustainability. The asymmetry between the fundamental freedoms of the internal market and social rights actively fuels the feeling that Europe is acting against its citizens and not in order to protect them. Indeed, the EU should protect its citizens from discontents of globalization and not be a tool to catalyse it by law.

Since regulations on salaries and social security systems are mainly a national state competence, the main threat in these areas is coming from the economic governance framework, more than any policy at EU level. Member States are left with no choice but to resort to socially disruptive and to a large extent self-defeating frontloaded internal devaluation processes consisting of a combination of public expenditure cuts, anti-redistributive tax increases, combined with cuts to wages, pensions and social security related expenditures and privatizations. The situation is even worse in the countries under financial assistance. Therefore, the country-specific recommendations and the memorandum contain some unacceptable attacks to workers' rights hidden behind "technical advise".

At the same moment, a common currency with very limited common fiscal social and economic policies and the lack of macroeconomic stabilizers are a source of inequalities. In this framework, internal devaluation through low salaries and weakening labour conditions has become an alternative to member states instead of monetary policy.

In addition to it, social dumping also stems from tax dumping and tax dodging. Illustration of this may be found in the tax schemes of many multinationals, such as McDonald's, where tax avoidance is also a powerful channel for aggressive social policy. Fight for proper compensation of employees goes along with compliance with tax rules and payment of taxes where profits are made.

Surely, Europe is confronted with permanent challenges. But structural reforms, like the pension reforms, are mainly driven by a neoliberal ideology which increase at the end



inequalities between rich and poor. Indeed, the EU member states had been confronted with demographic shocks and much more extreme challenges in their history while strengthening the welfare system. People are getting older in Europe but there is also an increase of productivity per worker.

At the end, the distributional issue is key: conservative and liberal forces consider that social security systems should be mainly financed through taxing consumption (VAT) or labour, they attempt to undermine and hence discredit the quality of the public services and the Welfare State.

However, since the welfare state is always financed by the labour of the economically active population there is no reason to believe that capitalization and privatization of social security (pension funds etc) will address the challenges ahead except serving the interests of big finance and shifting the costs of welfare provision entirely to working people.

That is why progressive members should work on the following priorities to protect and extend social standards in Europe:

- A European social progress clause in primary law ensuring the predominance of social rights and collective bargaining over freedom of capital;
- Shaping a “favorability principle” in labour law, on the basis of similar existing principles in some Member States law, granting the employees the guarantee that any decentralized collective agreement is more favourable than the branch or the national agreement.
- A revamp of European collective bargaining. The Treaty pushes the EU institutions to develop collective bargaining at the European level. In particular, such as the European trade unions, European employers association should agree on a majority principle rather than unanimity.
- Give binding force to the Charter of Fundamental Social Rights adopted by the Council in 1989
- In accordance with the role of social partners, to push for minimum wage directive with adequate minimum wage floors: oriented towards a minimum of 60% of the average national wage addressing both those not in work and the “working poor”; To advocate for the introduction, where it is appropriate, of a minimum wage in some transnational areas (mobile workers...);
- Ask for the following significant improvement on the posting of workers: complete application of collective agreements and equal treatment between workers and equal rules for economic players (including payment of social security contributions) for posted workers working less than 24 months in a member state; the legal liability of the main contractor to prevent “dumping wages” and circumvention of social legislation; fight abusive use of posted workers by implementing effective inspections and controls into the workplace through ensuring adequate staff and financial resources for competent authorities;



Concrete action in this area might entail the support of the ECI on Fair transport launched by European Transport Federation (see <https://www.fairtransporteurope.eu/about>).

- Address the social integration of refugees by working on a European investment plan that would provide education, housing and infrastructure
- Tackle challenges raised by new technologies and the "uberisation" of work (for social security systems, concerning work practices and labour rights) such as including self-employed activities in the social security system;

Finally, we urge EU Commission to take action on anti-cancer and maternity leave directives by rejecting the principle of “better regulation” aiming at the end to increase deregulation and scrap social rights.

These recommendations should avoid future ECJ rulings such as the Viking or the Laval cases giving priority to economic freedoms over social rights. Working on minimum standards in the EU should not replace a more ambitious social policy. However, more action on a Social Europe should not require granting additional competences to the European Union risking to undermine democratic scrutiny and attacks on collective bargaining or the right to strike as witnessed with the Troika policies or the Monti II directive.

But existing and future social standards will always be at risk from international competition until an upward convergence can be achieved at global level. Specific rules can be included in EU regulations to refuse competing on the basis of social standards, such as the recognition of social dumping in the EU's anti-dumping legislation, as requested by the European Parliament. Unilateral trade preferences given by the EU to developing countries should also include stronger conditionality to lift up social and labour standards, and ensure policy coherence between trade and development. The EU is now committed to including such standards in all of its bilateral trade agreements, but standards must be made binding and enforceable. Ultimately, a sustainable development Protocole should be negotiated within the WTO to ensure recognition of a basic social floor at global level.

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