

EPSU position on The Communication of the Commission on the Internal Market Strategy Priorities 2003-2006

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The publication of the Commission Communication on the *Internal Market Strategy Priorities for 2003-2006* offers the opportunity to assess how the Commission is reacting to increasing precarious work and unemployment, the slowdown of the EU economy and the challenge of enlargement and integrating new countries into the EU internal market.

EPSU, together with the European Trade Union Confederation, has supported the completion of the Internal Market as an instrument to foster growth, employment and a higher level of welfare for all citizens. EPSU would also share the view that the obstacles that prevent the internal market from optimum functioning must be surmounted. The internal market strategy has, however, to be linked with other policy objectives of the European Union. Competitiveness cannot be considered as an end in itself. It must contribute to more and better jobs, greater social cohesion and sustainable development.

It should be recalled that the Cecchini Report of 1988 quite rightly pointed out that the achievement of the internal market would not meet citizens' expectations if it did not go hand in hand with social progress.

EPSU judges the Strategy on its contribution to four central issues:

1. Employment creation and quality of jobs;
2. Building a Social Europe;
3. Improving and promoting public services;
4. Integrating the new accession countries in the EU.

EPSU is deeply concerned at the general thrust of the Communication. The impression is given in the Communication that a policy is pursued of forced liberalisation. This biased focus needs to shift. The *Strategy* has to be part of a broader policy within the enlarged European Union based on wide-ranging consultation, including the social partners at intersectoral and sectoral levels.

1. Employment creation and quality jobs

One of Europe's major problems is the increase in unemployment and continued failure to achieve the full employment target of the Lisbon strategy. The Commission argues that the *Strategy* will contribute to competitiveness, growth and employment. The three year *Strategy* should be looked at in combination with the Broad Economic Policy Guidelines (BEPG) and the Employment Guidelines (EG). All three contribute to economic reform according to the Commission. The *Internal Market Strategy* is however not interlinked with these guidelines. Its focus is on structural reform and measures to liberalise markets further and promote competition. Flexibility should create growth and jobs, it is argued. This is an old recipe that is not working. The European Commission itself has argued that the focus needs to be on the quality of jobs. Unfortunately, this concept is not reflected in the *Strategy*.

The *Strategy* has also not integrated the objective to bring the European Union on a path towards sustainable development. This is one of the key objectives of the EU. A synthesis of all the strategies is normally part of the Spring Council to ensure a balanced approach. A stand-alone strategy focusing only on promoting the internal market is not what Europe needs.

The European Economic and Social Committee (EcoSoc) argues in its opinion of 15 July 2003 that no evidence is given of the employment generating effect of the *Strategy*. EcoSoc states that insufficient attention is given to job creation and sees this as a serious omission. EPSU agrees with this assessment.

2. Building a Social Europe

The *Strategy* fails to incorporate a social dimension. It argues that the Council, European Commission and European Parliament should develop a new and shared vision of the internal market. The Commission, however, sees no role for trade unions, employers, municipalities and many other organisations to shape this vision. Not once does it argue that the social partners, either through the cross-sectoral or sectoral social dialogue, should be involved in the different measures proposed. The European Parliament had stressed the importance of the involvement of the social partners, consumers and others in its opinion on the review of the Internal Market Strategy, adopted on 13 February 2003.

The *Strategy* does not mention what accompanying measures are needed to achieve a social Europe or to address possible negative consequences of its measures. It does not consider what the *Strategy's* redistributive effects are for Europe's citizens and if indeed Europe's vulnerable citizens will benefit. Whereas the Green Paper on Services of General Interest (SGI) draws attention to the social objectives to be pursued by services of general interest, this is not reflected in the Communication on the Internal Market Strategy. The *Strategy* does not interact with other social policies, such as creating quality jobs, information and consultation of workers, health and safety, social inclusion, sustainable development, consumer protection, etc. It lacks an assessment of its gender implications.

EPSU agrees with UNICE, Europe's private sector employers' organisation, that better coordination and cooperation is needed with other Directorates General (DGs) of the Commission. Indeed this is to ensure that social, environmental and consumer protection are integrated rather than ignored, or added as an afterthought in DG Internal Market proposals.

3. Improving and building public services

The impact of liberalisation

The *Strategy* claims that liberalisation has led to benefits for both companies and consumers. This broad sweeping assertion has to be put into question. Analytical reports from the Public Service Research Unit (PSIRU), University of Greenwich and the Bundesarbeitskammer, Austria, come to different results. Liberalisation of the electricity sector, for example, has led to 300.000 job losses. In contrast to earlier Commission predictions, prices for domestic electricity users are not decreasing, while recent events in Europe as well as the US, Australia and New Zealand illustrate the risks that accompany liberalisation in the electricity sector. Commission representatives and Member States now actually warn that prices can be volatile and may increase. Several reports point to the lack of investment in new generation capacity, grids, maintenance and surveillance. The EcoSoc Opinion also makes critical comments. Monitoring and surveillance requirements of public service obligations in liberalisation directives need further improvement. The competencies of regulators to ensure

affordable prices for domestic users, and guarantee investment and reliable supply of services, need to be explored.

The Commission and DG Internal Market in particular, must learn from the experiences that shed a different and more cautious light on the impact of liberalisation and competition especially in public service areas. The analysis by PSIRU, draws attention to several noteworthy examples of liberalisation failures such as British Energy and Railtrack in the UK. These experiences are ignored by the Strategy document.

Internal Market Strategy versus a Social Market Economy

EPSU rejects the aggressive attitude with which the Commission pushes the Internal Market Strategy to the detriment of other policies. The proposed "Internal Market compatibility test" appears to be an attempt by DG Internal Market and its Commissioner to give priority to the internal market and competition rules over other objectives within a socially balanced market economy. This despite the fact that the Draft Treaty as elaborated by the Convention argues that *"The Union shall work for the sustainable development of Europe based on balanced economic growth, a social market economy, highly competitive and aiming at full employment and social progress, and with a high level of protection and improvement of the quality of the environment. It shall promote scientific and technological advance."* These are central objectives for the European Union. To ignore them could have far-reaching implications for the possibilities of Member States, local and regional authorities, other public bodies and the social partners to regulate in the public interest, in particular when measures are not taken at EU level, for example with regard to food safety, health & safety and environmental protection.¹

The Commission published a Green Paper on Services of General Interest to which many organisations have responded and from which the Commission is still to draw conclusions. DG-Internal Market gives the impression that it already knows the outcome of this debate, undermining the ongoing Green Paper consultation.

The proposed studies on introducing competition in the water sector illustrate how the Commission is seeking to extend liberalisation without proper assessment. There is no cross-border trade in drinking water, hence no role for the internal market. The Commission again does not take into account experiences gained with liberalisation of drinking water and wastewater, which in some member states has had detrimental effects for health, prices and accountability.

Patient mobility is also seen from the narrow perspective of internal market rules and competition policy. This ignores the risks of commercialisation of health care services and the impact on funding of national health care systems. The same is true for pensions, uniquely considered from a budget and Internal Market perspective, rather than as part of wider labour market and social policies, where the social partners play an important role.

4. Integrating the new accession countries into the EU

The Commission devotes a small chapter to "Getting the best out of the enlarged internal market". EPSU demands that the implications of enlargement for the functioning of the Internal Market, receive a more prominent place. The major challenges this presents to the EU and Member States merit a consolidation phase. A significant effort by the Commission and the present EU Member States is needed to assist the new member states in

¹ The internal market compatibility test can be compared with the necessity test of the GATS provisions.

implementing directives and other policies and to ensure their necessary monitoring and surveillance. While EPSU welcomes the proposals made on cooperation of public servants and training of staff, the focus is again one-sided. The same efforts have to be made to ensure that social directives are correctly applied. EPSU insists that labour-inspectorates and public employment services be reinforced and extended, for example. Similar points can be made with regard to ensuring environmental and consumer protection.

5. EPSU proposals to revise the Internal Market Strategy

EPSU demands that the *Strategy* becomes the subject of an open debate in which employers' organisations, trade unions, consumer and environmental groups, municipalities and others can play a part. Such a broad debate has yet to take place. The EP stated that it "*considers that the highest priority must be given to a major initiative [...], engaging all European institutions, consumer, employees' and business organisations in an effective partnership*"

The necessary revision should be based on the following:

- ⇒ Stop further liberalisation until conclusions are drawn from the discussion on Services of General Interest in the Green Paper as well as in the Convention and IGC.
- ⇒ Redefine the priorities. The focus needs to be on consolidation of the Internal Market in the light of enlargement. EPSU supports the need for cooperation between public administrations, exchange and training of civil servants and demands that this becomes a priority requiring cooperation of all Commission Directorates General and Member States.
- ⇒ Include the social dimension. Concrete social measures are needed. The proposed Company Statute for Small and Medium-size Enterprises lacks measures to ensure information and consultation of workers. The proposed measures need to be assessed as to how they contribute to improvements in social, environmental, consumer protection as well as to job creation. Such assessments should be based on solid analysis by both sides of industry. Instead of an *Internal Market Compatibility Test*, a test is needed that takes account of the whole range of EU objectives, including employment, sustainable development, equality, and social and economic cohesion. For lack of a better term EPSU calls this: the *Social Market Compatibility Test*.

EPSU calls on the European Commission and the Council (the Competitiveness Council) to consult the social partners on Internal Market policies and proposals in order that social and employment concerns can be taken into account in a systematic manner.

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