

## **ETUC response to Enrico Letta's Report "Much more than a Market"**

The Letta Report on the Future of the Internal Market was published on Wednesday 17 April 2024 and presented to the European Council. The Letta Report can be found at [this link](#).

The ETUC has put together a response to the Letta Report to assist policy makers to identify the recommendations that have support from trade unions and those that may undermine trade union and employment rights.

The report includes a number of recommendations that will be of real benefit to workers and their trade unions, in particular the support for social dialogue. The ETUC calls for the positive social elements to be emphasised and taken up (e.g. the application of social conditionalities to investments, public procurement to promote quality jobs and collective bargaining, regulation of subcontracting chains, need for investments and an industrial policy, a right to stay, importance of ensuring housing affordability...). All of these elements should be included in the upcoming discussion on the Strategic Agenda and the priorities for the next term, along with the recommendations in the La Hulpe Declaration on the Future of the European Pillar of Social Rights.

The ETUC assessment is that the title of the Letta report makes the intention of the author clear, that the single market is more than a market. In this respect we reject the deregulation narrative and proposals, as well as liberalisation pushes, and we stress that this approach cannot be interpreted as a green light to allow damage to social progress, an undermining of collective agreements, the right to strike, employment rights, or to work against measures for upward social convergence. Of particular concern is the revival of discredited 'gold-plating' arguments (i.e. preventing governments from providing greater protection for workers when transposing EU employment, health and safety and equality directives). The ETUC underscores that the threat of governments using the fragmentation and 'gold-plating' criticism to limit workers' and trade union rights must be taken clearly off the table and not advanced by Member States or the Commission.

### **We call on the European institutions and Member States to take up the positive proposals in the report:**

- The report is strong in recognising the **importance of trade unions, social partners, and social dialogue** in delivering the required social dimension of the Single Market. The fact that the conclusions highlight clearly that social dialogue is at the core of the European Social Model is welcome.
- **Social conditionalities** must be included in all public funding and support to businesses, as well as environmental and tax conditionalities. The report proposes in particular for the State Aid framework "*common conditionalities for common public policy objectives*", including wages, workers' rights. The report also refers to the US Inflation Reduction Act as a possible example in this area. The EU institutions should build upon these recommendations and introduce

social conditionalities for EU funds and state aid, as well as environmental and tax conditionalities.

- The report highlights the potential of **public procurement** as a driver to realise EU strategic goals, including social progress. The report criticises the reliance on the lowest price award criterion as the default option in public procurement. Very importantly, the report states that public contracts should foster “*the creation of high-quality jobs, characterised by fair wages and conditions underpinned by collective agreements*”. It is necessary that the EU institutions follow-up on these proposals and 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.
- The report states positively that “*the EU’s industrial strategy must adopt a more European approach*” and highlights the risk of deindustrialisation. The ETUC reiterates its call for an ambitious **EU Industrial Policy** with significant investments to deliver high-quality jobs and strong social conditionalities.
- The report positively stresses the **need for investments** for EU objectives. The ETUC stresses the need for a permanent investment tool at EU level to ensure the necessary resources in all sectors and in all Member States and regions for EU industrial policy and for social and green targets. We also reiterate the call for a genuine fiscal capacity for investment, an EU sovereignty fund for just socio-economic transition and common goods. The focus in the report on the need for enhance research, innovation and education, including through stronger investments, is of particular importance.
- The report suggests that a ‘freedom to stay’ should be considered part of the same coin as the freedom of movement. We welcome that the assessment of free movement is defended as a fundamental right and a choice, and not as a necessity or a quick fix to compensate for unattractive and precarious jobs. The report stresses the need to provide opportunities for citizens in all regions, in particular those being left behind, including the **need for quality jobs**, and the need to tackle inequalities within and between countries.
- In terms of fair mobility, the report makes recommendations to strengthen the **European Labour Authority**. The ETUC calls on the EU institutions to take up these recommendations and to improve the enforcement of labour mobility rules by a more effective European Labour Authority (ELA), with a stronger mandate and an enlarged scope.
- The document rightly emphasizes the necessity of implementing policies to address mental health in the workplace. ETUC believes it is high time for a **Directive specifically focused on preventing psychosocial risks at work**.
- The recommendation for an **Action Plan for High Quality Services of General Interest** is positive, and should be followed-up and connected to the EU policies for specific SGIs.
- The recognition of the need to address the multiple factors behind **housing affordability** to grant it everywhere in the EU is important. There is also a call for a task force on housing affordability.
- The report addresses the risks of tax fragmentation and stresses the need to “avoid harmful tax competition” and tackle aggressive tax planning, tax avoidance and evasion. We also stress the need for a more progressive **taxation**, including taxation on wealth and capital gains.

**We call on the European institutions and Member States to guard against the negative proposals:**

- The main focus of the proposals for the **transport sector** is on further liberalisation and on anecdotal problems of the sectors. No mention of the need to tackle abuses, letterbox companies and social fraud, which are clear demands of the trade unions. The report also includes a clear attack to the right to strike for Air Traffic Management (ATM), which is unacceptable.
- The ETUC reiterates its **rejection of 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. **The respect and compliance with Article 114(2) TFEU must be emphasised** throughout any discussion on strategies for the Single Market (i.e. Article 114 TFEU shall not apply to fiscal provisions, to those relating to the free movement of persons nor to those relating to the rights and interests of employed persons). In addition, as highlighted by Enrico Letta, **the Delors method should be respected** (legislation on workers’ rights / working conditions is to be based on minimum harmonisation in order to avoid a race to the bottom).
- **Deregulation and liberalisation pushes and “burden reduction” approaches that do not safeguard / ensure social progress must be rejected.** EU competitiveness should be built on strong social and environmental standards.
- The report also criticises the use of a **risk-averse regulatory approach**, claiming it has resulted in overlaps, legal uncertainty and substantial compliance costs. The ETUC recalls the key importance of the precautionary principle enshrined in the Treaties, which cannot be undermined by any ‘innovative’ practices.
- The report also calls for increased **cross-border service provision**, and for specific types of restrictions that persist under the Services Directive framework to be addressed. It is necessary to ensure that any measures in this area guarantee equal treatment and full respect of workers’ rights, ensure stronger enforcement and tackle effectively abuses.
- The approach of the report seems to over rely on **private investments** mobilisation and their ability to contribute to close the investment gap for EU strategic objectives. The proposal on upgrading the Pan European Personal Pensions raises concerns. More in general, pension funds are workers’ money: adequate and safe pension income has to be fully safeguarded in any case, respecting national competences. It has also to be noted that private investments do not align to common objectives in absence of a specific legislative framework: the importance of the SDGs and of EU taxonomy should be highlighted in this regard. The lessons of the 2008 financial and economic crisis cannot be forgotten. We reiterate the need to regulate financial, energy and food commodities markets and tackle speculation.

A more detailed analysis of these and other aspects can be found in Annex.

## Annex – A more detailed analysis

- **Gold-plating, burden and cost reduction**

The report consistently echoes the call of business to address regulatory and administrative burdens and costs stemming from EU law. The report points to overlapping requirements and complexities generated by the EU's multilevel governance system, together with “gold-plating” at national level as well as asymmetry between territories and legal and tax systems. The report praises the commitments of the Commission when it comes to cutting burdens and costs, and considers that this *“must be pursued as an absolute priority in the coming years”*. The report even suggests omnibus regulation to simplify and target redundant, obsolete, and inconsistent regulations. Additionally, it encourages political debate on further simplification in areas where this might raise more fundamental questions. The report makes a recommendation *“to introduce a principle of ‘non-regression’ within the Inter-Institutional Agreement on Better Law-Making”* to safeguard the achievements of the Single Market. This ‘non-regression’ clause does not protect progress made at national level or thanks to the autonomy of the social partner.

In this sense, the report tends to prioritise business interests over other interests, and ignores the value of regulation as a long-term investment to shape the future, and the need for administrative requirements to monitor compliance and ensure effective enforcement. EU law-making must deliver for everyone, including trade unions, workers, consumers, communities, public authorities and the environment. Protective rules ensure a level-playing field and resilient, high-quality and future-proof economic activities based on innovation of process and product and should not be considered as a drag on competitiveness.

As opposed to weakening business obligations in the name of burden and cost reduction, EU competitiveness should be built on strong social and environmental standards, including for SMEs. Compliance with workers’ rights and the protection of the environment is key to ensure fair competition, and cannot be made dependent on company size. As opposed to reducing administrative and reporting requirements, digitalisation should be used to its full potential in terms of facilitating compliance, and ensuring more effective monitoring and enforcement of applicable rules and standards, including when it comes to improved cross-border cooperation.

Deregulation and liberalisation pushes and “burden reduction” approaches that do not safeguard / ensure social progress must be rejected. EU competitiveness should be built on strong social and environmental standards.

The ETUC reiterates its rejection of the attacks against “gold-plating”. Having higher standards at national level than the minimum standards agreed at EU level is a legitimate goal for any Member State which is seeking prosperity for its people. This possibility must be protected at any cost, in particular in the employment and social area. The ETUC warns against attempts to apply ‘over-transposition’ arguments to employment directives. The ability of governments to go above and beyond in the transposition of EU employment directives cannot be limited, as this would limit the ability of national governments and social partners to lift labour standards at national level, as clearly stated in Art. 153 (4) TFEU.

The report also recalls the need for “*maximum harmonisation coupled with mutual recognition*”, accompanied by a recommendation to “*unequivocally prioritise the use of Regulations in the formulation of Single Market binding rules*” as opposed to directives. Where possible, the report also advocates for the use of the internal market legal base (Article 114 TFEU). Again, it is key to ensure that this recommendation is not applied to employment / social initiatives, which must be based on Article 153 TFEU and for which minimum harmonisation is a necessary feature. The respect and compliance with Article 114(2) TFEU must be emphasised throughout any discussion on strategies for the Single Market (i.e. Article 114 TFEU shall not apply to fiscal provisions, to those relating to the free movement of persons nor to those relating to the rights and interests of employed persons). In addition, as highlighted by Enrico Letta, the Delors method should be respected (legislation on workers’ rights / working conditions is to be based on minimum harmonisation in order to avoid a race to the bottom).

The report also calls for the ‘once-only’ approach and more innovative and flexible regulatory practices, including not only “review, revision, or sunset clauses”, but also “to experimental clauses, regulatory sandboxes, and the enhanced cooperation mechanisms”. The report also criticises the use of a risk-averse regulatory approach, claiming it has resulted in overlaps, legal uncertainty and substantial compliance costs. The ETUC recalls the key importance of the precautionary principle enshrined in the Treaties, which cannot be undermined by any ‘innovative’ practices.

While the report notes that the aim of impact assessments is to inform the political process, it misses that the purpose of this exercise must not be to pre-empt the democratic process. The report calls for more impact assessments to be done by the co-legislators, but does not in any way consider the merits of the heavily economic, short-term business oriented methodology still applied by the Commission for impact assessments. Often the social impact assessments remain very shallow, something which is not pointed out, in particular bearing in mind that the report also calls for more policy coherence and anticipation. Importantly, the EU’s commitment to the UN sustainable development goals require social, environmental and economic impacts to be assessed with the same level of detail and importance. A social progress test should be integrated as part of the Commission’s impact assessments to ensure all new EU legislation is socially responsible and just, promoting collective bargaining and upward social convergence.

The report notes that “*many SMEs may perceive the Single Market only as a burden or as a source of increased competitive pressure, and not as a source of opportunities*”. However, what the report misses is that unfair competition is one of the biggest threats to bona fide SMEs. The report also questions the current SME definition, by suggesting that an additional layer of mid-cap companies should be added. However, such a proposal should not be followed-up, since it is worth nothing that the current SME definition already covers more than 99% of all companies in the EU as well as 2/3 of the workforce in the private sector.

The proposals for setting up a network of national Single Market enforcement bodies and for stronger interconnection between national and European digital systems should aim at ensuring better cross-border cooperation and enforcement, not only at simplifying business conduct and the ‘once-only’ approach.

The proposal of a European Code of Business Law needs to be examined in detail. It is necessary to make sure that any proposals in this area do not undermine workers' rights and conditions.

- **Industrial policy**

The report states positively that “*the EU’s industrial strategy must adopt a more European approach*”. The report recognises the importance of a Europe-wide industry for the EU to maintain competitiveness at global level. Fragmentation and unhealthy competition among Member States run counter to this objective and EU coordination is paramount (the report suggests an Economic Security Council for this).

The report stresses positively the need for massive investments in R&D, as well as the need to develop projects of common European interest to overcome important market or systemic failures or to address key societal challenges. The focus on investments to enhance green and digital industrial innovativeness is of high importance.

The ETUC reiterates its call for an ambitious EU Industrial Policy with significant investments to deliver high-quality jobs and strong social conditionalities.

Also the recognition of the need to reduce electricity costs for both households and industry as the “first priority” is positive, since all the research shows this is hampering industry and households. However the report includes an overemphasis on how the Single Market will solve the crisis of high energy prices rather than fostering energy as a public good. The recent reform of the electricity market design did not deliver the structural change that was needed. The proposals for a single funding point for industry and the creation of a Clean Energy Delivery Agency should be followed-up.

The report’s support for circular economy is good, including the reference to water. The report states: “*the World Bank recently evaluated that the European remanufacturing market, currently valued at €31 billion, could grow to €100 billion by 2030, creating 0.5 million new jobs and saving 21 megatonnes of CO2 emissions*”. It is also positive the stress on the need for EU funding to support this development and developing standards.

Urgent and drastic action is needed to limit global warming to 1.5°C. The ETUC supports the objective of reaching climate neutrality by 2050 and the interim target of at least -55% GHG emissions by 2030. However, the underlying changes that will need to happen will severely impact workers in many sectors and regions and risk increasing inequalities. This, therefore, requires an ambitious just transition agenda, through concrete legislation as part of the European Green Deal agenda and the national energy-and climate plans – in line with the ILO guidelines on just transition and compatible with the UN Sustainable Development Goals. The report lacks mention of Just Transition. It uses the term fair transition but only in the context that the costs of transition are systemic and must be shared collectively, not to burden specific sectors and to balance public and private investments. The ETUC calls for a directive for just transition in the world of work through anticipation and management of change, based on the principles of trade union involvement and collective bargaining.

The report recognises the essential link between large and small companies in the internal market, and the need for fair competition. This on the one hand requires possibilities for European companies to be able to scale up to compete globally, while also ensuring tackling unfair competition from outside the EU. On the other hand, the report importantly also recognises that “*not all EU companies and markets are in need of a bigger size*”. However, in this sense the report leaves the issue of increasing market concentrations and abusive dominance open, in particular when it comes to potential negative impacts on labour markets and workers. Also, on scaling-up, the report names specific sectors such as defence, health, space and transports. It should be noted that these sectors would be key in developing European public goods. The development of these key sectors cannot be left only or mainly to ‘bigger’ private players. It is positive that the report refers to the need for the definition of relevant markets to take due consideration of the global economy.

Technical standards are identified as a positive driver for circular economy, need to maintain leadership on mobile communication, cybersecurity and energy. They are considered essential tools for the EU to influence the global standards setting – i.e. Single Market beyond its borders. There is no reference to technical standards that are disguised as social standards (which is positive).

- **Public and private investments, and taxation**

The report positively stresses the need for investments for EU objectives: “*while the EU has boldly set forth an array of ambitious goals, a critical challenge remains unresolved: the funding of these aspirations*”. The report recognises also that “*the EU must step up its efforts to develop a competitive industrial strategy capable of counteracting instruments recently adopted by other global powers*”.

The report then proposes a roadmap. The first step proposed is to mobilise private investments. According to the report, the next step would then involve “*tackling the debate on State aid*”. These steps would then “*facilitate the creation of the necessary political conditions to unleash another critical dimension: European public investments*”. In the long-term the report stresses that a solution would be needed to overcome the division on the EU’s central fiscal capacity.

The approach of the report seems to over rely on private investments mobilisation and their ability to contribute to close the investment gap for EU strategic objectives.

The proposals to mobilise private investments will be further analysed by the ETUC. However, the report proposal on upgrading the Pan European Personal Pensions raises concerns. More in general, pension funds are workers’ money. There can be a space to create synergies but adequate and safe pension income has to be fully safeguarded in any case.

The lessons of the 2008 financial and economic crisis cannot be forgotten. We reiterate the need to regulate financial, energy and food commodities markets and tackle speculation. 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.

A new economic and social model requires a reinforced financial market framework that ensures fairer redistribution of revenues between capital and labour. It should ensure capital that is patient, non-speculative, underlines more sustainable development and is oriented to investments in the real economy, creating new quality and sustainable jobs. All economic and other EU policies should contribute to developing quality public services as all sectors benefit from this. To balance environmental and social investments, ambitious quality criteria for labelling investments as social, should be elaborated to promote genuine social investments and bind the financial market players to social objectives. It has also to be noted that private investments do not align to common objectives in absence of a specific legislative framework. In this framework, the work on EU taxonomy has a significant importance. Reference to SDGs is missing, as well as the reference to an EU authority for ESG securities. The ETUC also advocates for the setting up of a European network of public regulators that supervise the lawful and smooth functioning of the sustainable finance market, in close contact with international regulators and UN-related agencies.

On state aid (as part of a larger European industrial policy), the report identifies the need for ensuring a balance between the need for public funding to support sustainable business, social objectives, digital and green transition, while also preventing market fragmentation and distortion of competition. This rightfully requires a balance between enforcement of state aid rules and EU funding and investments. In this sense, the report even suggests that Member States when mobilising state aid would have to allocate a portion of their national funding to financing pan-European initiatives and investments. Also the proposal to develop a governance structure with the final objective of facilitating the evolution of a genuinely European approach to investments is positive.

The ETUC rejects any return to austerity policies and calls for a new economic model centred on the real economy, job creation, decent work, and redistribution through fair and progressive taxation.

The ETUC calls to meet the requirements of the new economic governance rules through progressive taxation. Also, the EU should also put in place a permanent investment mechanism to ensure that member states still have capacity to meet social and green goals. In general, the report is positive in stressing the need for significant investments for a European industrial policy and to achieve EU objectives and in stressing the need for an EU approach to state aid, however it does not put forward proposals in the short-term to enhance public investments – including at European level –, relying mostly on private investments.

The ETUC stresses the need for a permanent investment tool at EU level, which is even more urgent following the adoption of the reform of the economic governance rules. Such permanent investment mechanism is necessary to ensure the necessary resources to underpin an EU industrial policy and to meet social and green targets in all sectors and in all Member States and regions. We reiterate the call for a genuine fiscal capacity for investment, an EU sovereignty fund for just socio-economic transition and common goods.

With regard to taxation, the report addresses the risks of tax fragmentation and stresses the need to advance towards “*a level playing field*” and “*avoid harmful tax*”



*competition, while promoting productivity and sustaining the EU's social market economy model*". The report also highlights the importance of tackling aggressive tax planning, tax avoidance and tax evasion. It is necessary to put an end to tax havens and tax avoidance, including by criminalising such practices.

In full respect of personal taxation policy remaining a national competence, the ETUC calls to ensure greater progressivity in taxation of all kinds of income – including (i) increasing taxation rates of the richest (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. We reiterate the need for a Financial Transactions Tax. A strong and fairer Company Taxation framework is necessary, based on (a) 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, and (b) a new European mechanism allowing to tax windfall profits. The ETUC supports the introduction of a European regulation or directive for progressive taxes on the richest individuals. To avoid tax competition through national differences in the taxation of the wealthiest, and promote upward convergence within the European Union, common policy approaches and coordinated action are needed to ensure a minimum tax rate.

The ETUC reiterates its call for enlarging the ECB mandate 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.

- **Social conditionalities**

The report proposes in particular for the State Aid framework "*common conditionalities for common public policy objectives*". The report also refers to the US Inflation Reduction Act as a possible example in this area.

The report stresses several options for state aid conditionalities, from 'ex-ante eligibility criteria' to conditionalities regarding 'ex-post changes' in enterprise behaviour. The report includes – amongst possible type of targeted enterprise behaviour - directionality of enterprise activities towards public policy objectives, profit-sharing, and reinvestment requirements. Positive is also the inclusion of enforcement for conditionalities requirements, even though this would have deserved to be further developed in the report.

Workers' rights is mentioned as one of the possible objectives of such social conditionalities. The report states: "*certain conditionalities, such as wages, workers' rights and support for less developed regions, could be applied across different types of State aid logics and help to ensure that industrial policy projects support convergence and fair competition within the EU*". The report also positively stresses environment as one of the potential conditionalities for EU funding.

The EU institutions should build upon these recommendations. Social conditionalities must be included in all public EU and national funding and support to businesses, as well as environmental and tax conditionalities. The references to “*profit-sharing*”, and “*reinvestment requirements*” conditionalities in the report are also positive and of high interest.

- **Public procurement**

The report highlights the potential of public procurement as a driver to realise EU strategic goals, including digital and green transition, sustainable development and social progress.

The report criticises the reliance on the lowest price award criterion as the default option in public procurement, highlighting that this practice often undermines the potential of public spending to deliver secure and safe products and services for public benefit and to create European added value. The report notes that over-relying on the cheapest bid can lead to sacrifices in quality, sustainability, innovation, and social value.

Greater attention should be given to quality and broader long-term efficiencies as part of procurement processes, meaning more than just lowest price and minimum requirements in terms of wages and working conditions.

Very importantly, the report states that public contracts should foster “*the creation of high-quality jobs, characterised by fair wages and conditions underpinned by collective agreements*”.

The report calls for stricter verification of economic operators which includes rejecting unusually low bids, disqualifying non-compliant companies from bidding and conducting on-site inspections.

These are clearly positive elements of the report: it is key to ensure the EU institutions take action in the area of public procurement. It is necessary 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.

Of concern, on the other hand, is the recommendation to limit national discretion by changing the EU Public Procurement Directives into a Regulation (and criticising “gold-plating”), in particular when it comes to what it would imply in terms of the level of ambition of social conditionalities. In this light, also the reference to “*striking a balance between compliance and facilitating social and environmental progress*” is negative.

The report also positively stresses the need to regulate subcontracting practices to prevent exploitation and abuse, noting that unchecked subcontracting chains can lead to the erosion of labour standards, social dumping and the undermining of fair competition. It is key to regulate the role of labour intermediaries and introduce an EU general legal framework limiting subcontracting and ensuring joint and several liability through the subcontracting chain.

- **Free and fair labour mobility, with a ‘freedom to stay’**

The report notes the importance of free movement of workers as one of the cornerstones of the Single Market, but also acknowledges that its benefits have been asymmetrical and not equally distributed and beneficial to all workers and regions, sometimes having resulted in brain drain or in abusive conditions.

The report suggests that a ‘freedom to stay’ should be considered part of the same coin as the freedom of movement. We welcome that free movement is defended as a fundamental right and a choice, and not as a necessity or a quick fix to compensate for unattractive and precarious jobs. Indeed, labour mobility should not only be available to everyone and free from abuse, but it should also be freely chosen, and not exercised simply because of a lack of prospects or opportunities in one’s Member State / region of origin.

The report stresses the need to provide opportunities for people, including quality jobs, in all regions, in particular regions in decline. The challenges of regions in decline must be addressed through a wide range of policies, and the report recognises the important role cohesion policy should also play in this context. It should be possible to live and work in all regions of the EU, and this requires quality jobs, quality public services and infrastructures, industrial policy. The recognition of the importance of cohesion policy as integrated component and fundamental element of the Single Market is positive.

The report also warns against the risk of abuses to undermine or evade existing labour standards and recognises the vulnerability of posted workers. In terms of fair mobility, the report makes recommendations to strengthen the European Labour Authority, to regulate subcontracting to prevent exploitation and abuse, to clarify the legal framework for the posting of third-country nationals, to improve data collection, and to improve access to information, including by allocating “*resources allocated to ensure that national authorities, also in cooperation with the social partners, provide citizens with access to the information they need to exercise their mobility rights across the EU*”. The ETUC calls on the EU institutions to take up these recommendations and to improve the enforcement of labour mobility rules by a more effective European Labour Authority (ELA), with a stronger mandate and an enlarged scope, as well as by providing the needed financial means for EU-wide trade union counselling networks for mobile workers.

At the same time, the report also calls for further measures to facilitate free movement of workers, including by e.g. addressing regulated professions, Schengen obstacles, tax fragmentation, social security issues, access to information, support for returning movers, insolvency schemes, increased cooperation in border regions, more legal certainty on cross-border telework, etc. The report also calls for increased cross-border service provision, and considers that “*To achieve any meaningful breakthrough, specific types of restrictions that persist under the Services Directive framework must be addressed*”. “*This requires a renewed commitment to remove long-standing barriers*”. In this context, it also points to the need to further facilitate posting of workers, e.g. through the reduction of administrative requirements, such as merging the PDA1 form and the prior declaration on posting. “*The absence of harmonisation in regulations on the posting of workers and the fragmented administrative burdens imposed by Member States directly undermine the cherished freedom to provide*

services”, the report states. The aim of these recommendations appear to be simplification and burden reduction, rather than improving enforcement, protecting workers’ rights and ensuring fair competition. For example, there are concerns that the digitalisation of the PDA1 form may facilitate social dumping and encourage exploitative business models, despite potential benefits in monitoring and compliance. Likewise, when it comes to the promotion of digital tools such as the European Social Security Pass, this is mainly framed as a simplification instrument, and not as an instrument to improve monitoring, compliance and enforcement. The ETUC stresses the need to ensure that any measures in this area guarantee equal treatment and full respect of workers’ rights, ensure stronger enforcement and tackle effectively abuses, including for posted workers. We recall the ETUC opposition to the “country of origin” principle.

- **Social Dialogue and Collective Bargaining**

The report is strong in recognising the importance of trade unions, social partners, and social dialogue in delivering the required social dimension of the Single Market.

The report clearly and correctly recognises the importance of strong social dialogue, noting that *“the need for coordination and negotiation mechanisms between employers and workers must increase if we are to be effective in supporting business and providing quality jobs”*.

The democratic importance of trade unions negotiating change and transformation is also highlighted. *“Social dialogue and collective bargaining remain unique tools for governments and social partners to find tailored and fair solutions. Furthermore, it is essential to recognise the role of social partners in tackling today's challenges, such as climate change and digitalisation, in the context of revitalising the EU's internal market. In addition, the promotion of fair and equitable working conditions in the context of changing working patterns is essential to ensure that transitions are widely shared and accepted”*.

The report also notes the potential importance of the Val Duchesse Summit and Declaration. However it should be stressed that such commitments to strengthening social dialogue and collective bargaining must lead to action at all levels to recognise the role of trade unions and to remove all barriers to them from representing workers and engaging in collective bargaining. It is key that the EU institutions take action to defend and strengthen trade union and workers’ rights, including the universal right to organise, union access to workplaces, the right to bargain collectively, and the right to strike. It is also of great importance to increase collective bargaining coverage, including through an ambitious transposition of the Directive on Adequate Minimum Wages, targeting 80% coverage, and the Directive on Gender Pay Transparency.

The fact that the conclusions highlight clearly that social dialogue is at the core of the European Social Model is welcome.

- **Social dimension**

It is positive that the document takes a stand on the need to not only defend the social model but to continue extending labour rights to those in vulnerable situations (see

also the sentence "*For the Single Market to be truly successful and socially sustainable, three key objectives must be achieved: 1) extending the benefits of labour to a larger number of people; 2) avoiding a race to the bottom; 3) preserving and consolidating the European market economy*").

The document also stresses the need to ensure quality jobs, more robust social protection systems and targeted policies to address social inequalities and ensure inclusive economic development.

The analysis could have delved into the aspects defining a quality job, which for ETUC encompasses fair and adequate wages, work security via standard employment and access to social protection, the right to training, fair working conditions regulated by collective agreements, safe and healthy workplaces, work-life balance, trade union representation, full respect of trade union and workers rights, etc. While labour shortages are a concern raised throughout the document, we miss references to the quality of jobs in sectors where labour shortages exist as a driver of the situation. Likewise, the document could have been more proactive in articulating possible instruments to foster quality employment in the labour market (e.g. European Job Guarantee). Also, other specific proposals to improve working conditions or ensure quality jobs are missing. The gender dimension is also rather absent from the report.

The ETUC calls on the EU institutions to take effective action to ensure quality jobs. Solving the lack of 'quality jobs' problem needs to be a central theme of the actions of the European institutions. It is key to promote wage increases and support upwards convergence in incomes and working conditions, including through the introduction of a European framework to promote upward convergence on wages, and stronger action at EU level to eliminate the gender pay gap. It is also important to take action to end precarious work by guaranteeing legal rights to permanent contracts and full-time work, and a ban on unpaid internships, to increase workers' control over working time flexibility and reduce working time, to ensure the right to disconnect is fully respected, protect the rights of workers on telework, and ban invasive and disrespectful surveillance.

The report acknowledges correctly that the platform economy disrupts the markets by introducing new non-standard forms of work and that workers are due fair wages and other protections. Indeed this needs to be a rule for all upcoming forms of innovative work: EU labour market is open to innovation, but workers' rights, working conditions, workers' wages and protections must always be protected. Amongst others, the ETUC calls for a just digital transformation based on human-centred digitalisation and the effective regulation of AI with the 'human in control' principle incorporated into EU law.

With regard to the proposal to "*provide a framework for extending worker representation on boards building on the various examples that are already present in several countries*", the ETUC recalls its demand for an EU framework on improving information, consultation and participation for European company forms and for companies making use of EU company law instruments enabling company mobility.

It is regrettable that besides the role of the European Labour Authority in the context of free movement, there are no references to the need for improved enforcement of

the EU social acquis (including occupational health and safety), especially when there is an entire subchapter dedicated to enforcement.

The recognition of the negative impacts of the austerity policies and budget cuts to public administrations is positive. The lack of public investment and spending in key areas such as health and social care, education, public transport, affordable housing, internet or public administration negatively impacts on living standards and well-being. 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 well-functioning of the internal market. It is key to guarantee universal rights-based access to high-quality public services, including childcare and transport.

On creating an EU agency that incorporates TSI and PEACE, prudence is necessary. In particular, the TSI's mission is to vehicle reforms in national Member States: it is a policy tool and not necessarily an instrument to empower public administrations.

The report states: *“a perception is gaining ground that the advantages of the Single Market go to individuals who are already equipped with the means and skills to take advantage of intra-EU opportunities, or to large enterprises that can easily expand their operations across Member States”*. However, little attention is given to redistributive policies (fair and progressive taxation, more equal labour markets).

- **Health and Safety**

The document rightly emphasizes the necessity of implementing policies to address mental health in the workplace. ETUC believes it is high time for a Directive specifically focused on preventing psychosocial risks at work.

It is positive that the report takes a strong stand on the need to address both fatal and non-fatal accidents. However, it should have been clearer in calling for concrete proposals for improvement.

In this sense, the report falls short in addressing occupational diseases, which remain unattended in the document. At this regard, there is an urgent need to continue regulating workers' exposure to dangerous substances and to do so in a swifter manner, including carcinogenic and reprotoxic substances. Additionally, there is a pressing need for swift revisions of the REACH Regulation and the presentation of legislative initiatives on the screening of asbestos in buildings and appliances.

We welcome the clear demand for the European Commission's guidelines on working in heat to become legally binding. This future legislation should address a broader scope of risks associated with climate change, rather than being limited to heat-related issues.

The document acknowledges the need to extend labour rights and improve and expand EU occupational health and safety legislation and other European initiatives to a larger number of people. This is a positive step, and this reference should be emphasized in the section on occupational safety and health. It is particularly crucial

to address the exclusion of groups such as domestic workers from the protection of safety and health legislation at the European level, which should be rectified.

- **Training and Education**

The proposal for a 5<sup>th</sup> Freedom to enhance research, innovation, and education in the Single Market is interesting and should be further explored.

Improving the research and development strength of the EU to improve the Single Market is essential.

The report suggests more investment for digital skills. This is important, but to ensure a just transition it is necessary that the EU take action to ensure that all workers have the right to training without costs and during working time.

It is important to recognise the workers' contribution and the importance of a work environment which allows bottom-up innovation. It would have been useful to include the need to streamline policies on recognition of qualifications and to provide trustworthy information to workers in the EU about the recognition processes of their qualifications in case they work in regulated professions. Also, in order to reduce skills and labour shortages, focus should be paid to ensuring fair and decent working conditions and wages.

The report stresses the importance of Pan-European programs dedicated to enhancing digital skills and literacy. ETUC agrees that EU policy motivating Member States to improve education and training systems has an impact on European citizens. Education and training are national competences, and the EU Council recommendations on workers' training or adult learning on digital skills are non-binding. The European Commission should make stronger recommendations to the Member States to democratise decision making on education and training strategies and reforms with effective social dialogue with the relevant trade unions.

Also, the reference in the report to digitalised education and training as contributing to democratise education is problematic. A first reason is the lack of access of people to internet and equipment. Also, online training is less motivational than in-person training, and the success rate is lower. Seeing access to training only from the perspective of digital training would lead to more gap between the high-skilled and low-skilled adults.

We acknowledge the importance of the Erasmus Programme to improve the European values and sense of belonging to the EU of young people.

- **Housing**

The report states: *“while housing policy remains within the jurisdiction of Member States, the EU must recognize the urgent need for a coordinated response to address the acute shortage of suitable and affordable housing, as well as the escalating housing costs across its territories”*.

The recognition of the need to address the multiple factors behind housing affordability to grant it everywhere in the EU is important, as is the call for a task force on housing affordability.

We call for a follow-up on these recommendations and to ensure the full respect for the right to adequate, decent and affordable housing.

- **Public Services and Services of General Interest**

The report positively stresses the urgency to address the gaps in provision of universal services.

The recommendation for an Action Plan for High Quality Services of General Interest is positive. The report states clearly that SGIs are about more than market failures. There are references to the importance for the Single Market of universal access to services, with an implicit recognition that this (should) entail territorial or other obligations on providers.

However, a strong link between the 'demand' for an Action Plan for high quality SGIs and the parts of the report that deal in detail with specific SGI (e.g. health and care, public transport, education, energy, water) is missing. For example, in calling for the aggregation of water operators, it would have been important to stress that such aggregation / cooperation should strengthen the general interest etc...

The promotion of public-private partnerships is worrying, and it is not accompanied by a rejection of the marketisation of public services and PPPs nor by a reference to the relevant ECA report.

- **Transport**

The main focus of this part of the report is on further liberalisation and on anecdotal problems of the sectors.

For instance, on aviation the report focuses on Air Traffic Management (ATM), while the internal market has allowed downward conditions especially for mobile staff. The report also includes a clear attack to the right to strike for ATM, which is unacceptable and must be rejected.

The approach on infrastructures also goes in the direction of privatising (including the focus on public-private partnerships, and with no mention of infrastructure as a public good and negative effects of liberalisation).

On railways, the report main focus is on connecting major cities by high-speed rail, which is very anecdotal, but there is no mention of the fact that two major public railway companies are being dismantled because of state aid rules.

On road, the focus is also on liberalisation. No mention of the need to tackle abuses, letterbox companies and social fraud, which are clear demands of the trade unions.



- **Citizens' Conferences**

The report proposes the establishment of permanent 'European Citizens Conferences' on the issue of a Single Market.

We reiterate the ETUC position following the Conference on the Future of Europe with regard to participatory democracy.

Any proposals on citizens' panels must ensure that their role is defined very clearly and that they would not slow-down decision-making in Europe nor undermine or interfere with democratic processes and actors, including social dialogue and social partners. This means amongst others:

- Ensuring full respect for the prerogatives of Social Partners as defined in the Treaties, including by guaranteeing that these participatory mechanisms are not applicable in the preparation of legislative proposals in the area of Social Policy;
- Reinforcing the involvement of Social Partners in decision-making processes, in line with the COFOE conclusions; and
- Ensuring that citizens panels be truly representative of the whole of society in Europe and selected in accordance with clear and transparent processes; they must not replace representative democracy decision-making processes and structures.

- **Trade and external action**

The report states: *"Trade agreements should not be used as a trojan horse to weaken legislative frameworks, and the EU should use its economic toolbox to the full, to promote its Single Market regulations as a competitive advantage, positioning the Union as a high value and high-quality exporter of safe, secure and human-centric digital technologies and services"*. This recommendation is positive and confirms that the Single Market should remain an area of high standards.

At the same time, the statements *"avoiding the imposition of detrimental regulations and instead fostering strategic partnerships based on well-founded policies"* and *"move away from a logic of imposing regulations that harm partners and our ability to negotiate strategic partnerships"* are worrying. It is key that the EU continues to introduce policies and legislation to ensure protection of human rights and a level-playing field, such as Corporate Sustainability Due Diligence, Forced Labour Regulation... The 'Brussels effect' should project our values and increase compliance with international labour standards. The EU should not forego the inclusion of high social and environmental standards in trade agreements, for instance to pursue access to critical raw materials or energy (see partnerships with Tunisia and Egypt). For the ETUC this is not covert protectionism, it is about ensuring there is a genuine level playing field. The EU needs to ensure a much-needed 'workers centred trade policy', also on the basis of the statement by the report that *"EU's partnerships are based on shared values and mutual interests"*.

- **Enlargement**

On the positive side, the report states: *"Our strategy must seamlessly combine economic and political integration, aiming for equilibrium and safeguarding against the perception of the EU as merely an economic entity"* and *"economic integration must remain firmly aligned with political integration based on shared values"* (i.e. not just

economic integration but also social convergence). Also, the report notes that *"integration into the Single Market should foster socio-economic convergence"* and suggests financial support for candidate countries and an Enlargement Solidarity Facility, also to compensate sectors that would become exposed to competition from new countries. The report also suggests a robust system of safeguard clauses so that 'old' Member States' concerns are also addressed. It is key to ensure the fulfilment of social and labour market policy criteria for admission to the EU: enlargement must constitute a success for workers in both new Member States and existing ones. Social partners in candidate countries need to be supported through capacity building already before and during the accession process.

The report also suggests reaping the benefits of Single Market before accession is complete, which poses problems if candidate countries are not fully aligned with EU social acquis. We reiterate the clear rejection of any piecemeal approach to accession discussions: there should be no access to the internal market, or parts of it, without full alignment with the social acquis.