



## **Common position of the Swedish Trade Union Confederations on the future of the EU**

### **Background**

On 1 March 2017 the European Commission presented a “White Paper on the Future of Europe – reflections and scenarios for the EU27 by 2025”. The purpose of the white paper is to promote discussion on the future shape and areas of EU cooperation. A number of reflection papers linked to the white paper have subsequently been published, with those on the social dimension of Europe, the effects of globalisation, the development of the EMU and the future of EU finances being of particular interest to the Swedish Trade Union Confederation (LO), the Confederation of Professional Employees (TCO) and the Swedish Confederation of Professional Associations (Saco).

### **The fundamental trade union approach to the EU**

LO, TCO and Saco have a positive fundamental approach to the EU and are convinced that European cooperation has the potential to promote sustainable growth and employment. Consequently, we work actively to influence EU-related issues for growth, jobs, good conditions in working life, gender equality, transparency and respect for trade union rights and freedoms and the Swedish labour market model.

The EU can be a positive force for change and development, and a guarantor of fundamental values. The Union has contributed to long-term peace that, as reminded by the world around us, we cannot take for granted. Making our cross-border trading more efficient has also favoured growth and employment.

However, the challenges facing the EU are great and cooperation will need to change. Recovery after the economic crisis is sluggish and unequal. The structure of the monetary union is deficient. The EU countries have not succeeded in agreeing on a concerted approach to the asylum and refugee issue. The United Kingdom has decided to leave the EU. Globalisation and digitalisation create new opportunities, but also uncertainty and opposition to free trade,



among other things. Populist, protectionist and xenophobic forces have increased.

We therefore welcome the European Commission's initiative for inclusive and broad discussion on the shaping of future EU priorities and development.

### **White paper on the future of Europe**

In the white paper<sup>1</sup> the European Commission presents five conceivable scenarios for future development of EU cooperation. Even if the form of cooperation is important, we consider that the main thing to be determined is the areas in which cooperation is desirable.

LO, TCO and Saco want European cooperation that promotes positive development for their members. We want a coherent EU policy focus that benefits citizens and leads to increased equality and social progress. In addition, it is important that the different roles of the EU and its member states are clarified, since this is a condition for enabling citizens to demand accountability in democratic elections.

A fundamental part of EU cooperation is the single market, with free movement of goods, services, people and capital, which contributes to improved work and growth opportunities. Unnecessary obstacles to the single market should therefore be removed. However, this should not be in a way that violates fundamental trade union rights and freedoms or distorts competition in favour of companies that compete with low wages and poor employment conditions. The EU Treaties must therefore be supplemented by a social progress protocol guaranteeing that trade union rights are not subordinated to economic freedoms in the single market.

As regards the white paper's various scenarios, the most probable development in the next few years is a combination of the first ("Carrying on") and the third ("Those who want more do more"). The most reasonable, however, would be that the EU does not continue as before. Current cooperation finds it difficult to manage some common problems and to deliver results, which risks undermining citizens' confidence and trust in the EU.

In the medium term a combination of the third and fourth ("Doing less more efficiently") scenario appears most likely, as the euro area has rational reasons for further coordination, while other EU

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<sup>1</sup> ["White Paper on the Future of Europe – Reflections and scenarios for the EU27 by 2025"](#), COM(2017)2025, 1 March 2017.



countries move towards cooperation that is both clearer and more results-oriented than at present. It is a good thing that the member states that wish to enhance their cooperation in some areas can do so, not least to create legitimacy, but also to increase effectiveness when implementing political ambitions.

In the longer term, the fifth scenario (“Doing much more together”) is a possibility, even though it seems improbable at present. One premise for such a development is a considerable strengthening of the democratic aspect and cohesion between member countries. A Swedish attitude to this scenario must be that any increased harmonisation and transfer of competence to the EU level must not jeopardise the member states’ choice of system for wage formation and cooperation between social partners or national decision-making as regards social welfare, taxes and the labour market.

### **The EU’s social dimension to 2025**

In its reflection paper<sup>2</sup> on the EU’s social dimension, the European Commission points out that strengthened social ambitions for the Union is a way to regain the support of citizens and to take control of future development. Three options for the social future of Europe are presented: limit the social dimension to free movement; those who want to do more in the social field do more; and the EU27 deepen the social dimension of Europe together. Perhaps the most probable scenario, though not mentioned in the reflection paper, is that the current distribution of competences and level of ambition continue as before.

LO, TCO and Saco are of the opinion that Europe needs more and better jobs, where competition in the common market is based on quality, skills and innovation, not wages and working conditions. There is great potential to increase European employment and growth through strategic initiatives, not least in the fields of education, skills development and gender equality. We want a social Europe with good welfare systems and policies that create sound conditions for trade union organisation, and that guarantee respect for collective agreements and autonomous social partners. The social dialogue at EU level is one of the cornerstones of a social Europe. Cooperation between social partners and the national collective agreement systems throughout the EU should therefore be supported and strengthened.

We take the view that there is no need for increased supranationalism in the social policy field. The role of the EU should

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<sup>2</sup> [”Reflection Paper on the Social Dimension of Europe”](#), COM(2017)206, 26 April 2017.



primarily be to encourage and promote the efforts of the member states, through financing, coordination, benchmarks and monitoring. We can support common minimum legislation to the extent that follows from current EU Treaties. EU rules must fully respect national collective agreement models and also be possible to implement via collective agreements. Nor should the member states be prevented from introducing better protection for workers.

From a trade union perspective the EU's social dimension also concerns how the common market is regulated so that member states and the social partners have ample freedom and opportunity to shape labour market regulation and the welfare state. This is the idea behind the social progress protocol. Fundamental trade union rights and freedoms must not be subordinate to the EU's economic freedoms.

A precondition for a common market is to close the gap in quality of life between poor and rich regions and countries. This is all the more important for the euro zone, which is an argument for enhanced cooperation in this field. Here too, the EU may constitute added value in creating convergence between member states, with supporting initiatives, for example through the redistributive function of the EU budget, and monitoring and follow-up through the European Semester.

### **How we respond to globalisation**

Openness towards the rest of the world, cross-border cooperation and trade generally lead to positive economic development. This leads to increased welfare, development and more and better jobs. But we must also change the fact that profits are not shared by everyone.

In its reflection paper<sup>3</sup>, the European Commission shows that 45 per cent of Europeans regard globalisation as a threat. Since the outbreak of the financial crisis in 2008 the number of trade barriers has increased considerably within the G20. There are explanations for this. For a period of more than 30 years the wage share in the OECD's high-income countries has fallen steadily in favour of the capital share in the economy. Globalisation has made it possible to compete using unequal and unfair conditions of employment. Ever greater inequality is emerging in a polarised labour market where atypical forms of hiring are increasing – despite the fact that more and more

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<sup>3</sup> ["Reflection Paper on Harnessing Globalisation"](#), COM(2017)240, 10 May 2017.



actors support the insight that equal societies are economically effective.

The road to globalisation that distributes profits more fairly between everyone who contributes to their creation is via strengthened trade union rights and freedoms, social security systems and transition systems. In this respect the Commission's reference material specially highlights the Scandinavian welfare model.

LO, TCO and Saco consider that trade is important for economic growth. Increased trade promotes necessary structural transformation and creates jobs in profitable businesses. An important trade union premise is that when the EU concludes trade and investment agreements with third countries, they should set as high a standard as possible in terms of workers' rights. Trade and investment should stimulate capacity for innovation and effectiveness and must not lead to exploitation of people through competing with wages and working conditions. Protection of workers or trade union rights and freedoms must never be regarded as trade barriers and it is of utmost importance that the status of collective agreements and the autonomy of the social partners are respected in trade agreements to which the EU is a party.

In parallel with the EU's negotiation and implementation of new trade agreements, it is important that investments and efforts are made within the EU to create satisfactory systems for transition, which enable skills development and security in a changing labour market. The EU should therefore support the building of structures for cooperation between social partners and transition of the work force in the member countries where necessary. In addition, the EU should use the Global Deal initiative as a platform for strengthening the social dialogue.

### **Deepening the Economic and Monetary union**

In its Reflection Paper<sup>4</sup> on the deepening of the economic and monetary union the European Commission puts forward EMU as a means of creating not just growth and financial stability, but also jobs, economic convergence and social fairness. At the same time, the Commission admits that there is still a need to tackle persistent economic and social differences in the euro area, as well as to deal with the reasons for economic vulnerability, prevent high indebtedness and increase macroeconomic stabilisation capacity. Alternative measures in three central areas are presented: completing

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<sup>4</sup> ["Reflection Paper on the Deepening of the Economic and Monetary Union"](#), COM(2017)291, 31 May 2017.



a genuine financial union; achieving a more integrated economic and fiscal union; and anchoring democratic accountability and strengthening euro area institutions.

LO, TCO and Saco support the European Commission's guiding principles for the discussion on the future of EMU, that is that cooperation should be open to all EU countries, that the decision-making process must be more transparent and democratic, that responsibility and solidarity, risk reduction and risk sharing go hand in hand and that jobs, social fairness, economic convergence and financial stability should be the main objectives.

The euro crisis showed that the structure of EMU was incomplete. The reforms that were then undertaken contributed to breaking the downward spiral, but there is still a considerable need for deeper cooperation.

The European Commission's reflection papers contain many proposals aimed at strengthening the monetary union. In the first place it is the directly affected countries in the monetary union that should determine which reforms continued cooperation requires. These measures may have consequences for non-euro countries as well. However, it is important that the measures do not lead to adverse effects on other EU cooperation, such as the single market. It is also important that trade union rights and freedoms, as well as national models for wage formation are not threatened.

An effective EMU constitutes a vital economic interest for Sweden and other EU countries outside the EMU. Increased integration in the EMU will necessarily increase the distance between countries inside and outside the monetary union. This may put EU cooperation under strain. Consequently, it is important that non-euro countries continue to have good insight into the EMU and that they are allowed to participate in the extended cooperation if they so wish.

## **The future of EU finances**

The EU budget has acquired new relevance as a result of the United Kingdom's declared intention to leave the Union. Since the United Kingdom is a net contributor, the British exit will leave a hole in the EU budget. This must be filled by increased income or expenditure cuts. The European Commission's reflection paper<sup>5</sup> on the future of EU finances contains a number of conceivable paths to future

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<sup>5</sup> ["Reflection Paper on the Future of EU Finances"](#), COM(2017)358, 28 June 2017.



development, from reduced expenditure to increased contributions from remaining member countries.

LO, TCO and Saco consider that the EU budget need not necessarily shrink in the future. Nor do we consider that a Swedish position should primarily be based on Sweden's net contribution to the EU budget or retained rebates on contributions. What is important is that EU funds are used effectively and focus on tasks with a clear added value for the Union as a whole. EU should to a greater extent avoid tasks that the member states can carry out equally well or better themselves.

The objective of the EU is to promote peace and welfare for citizens in the Union. Together with the national budgets, the EU budget must support these ambitions. This is achieved at present through projects that contribute to linking the countries together through increased growth and employment, but it is also a matter of joint management of migration, internal and external security and external challenges.

Agricultural support is the EU's largest expenditure item. The EU budget fills an important redistribution function and should provide some agricultural support but particularly focus on promoting growth, creating jobs and enhancing skills, as well as supporting investment in infrastructure, environmental protection, research and innovation. Work is in progress to modernise the value added tax system, introduce a common corporate tax base and introduce tax on financial transactions. Work is also in progress to reduce the possibilities of tax evasion and advanced tax planning. In combination these will lead to increased tax revenues. The Swedish trade unions support simplified and more transparent rules. In addition, LO, TCO and Saco support the idea of discontinuing EU support to member states that violate the fundamental values on which the cooperation is based.

Taxation is and must remain a national competence. However, EU member states should cooperate to a greater extent and have the necessary tools in place to be able to stop cross-border tax fraud, for example.