

EESC welcomes debate on social Europe and calls for its political backing

A realistic future for the European Union can only be based on marrying a sound economic basis with a strong social dimension, EESC says

In the face of challenges that may block the EU's way forward, the current debate on social dimension of Europe and the European Pillar of Social Rights (EPSR) could help reach a new consensus on the strategies needed to secure **economic growth and well-being of EU citizens**, said the European Economic and Social Committee (EESC) in its opinion on "Impact of the social dimension and the European Pillar of Social Rights on the Future of EU".

In this opinion, adopted at its plenary on Thursday, the EESC has called upon the Council of the European Union to endorse the interinstitutional proclamation of the EPSR at next month's summit in Gothenburg, Sweden, and send a **political signal for its implementation**.

It was drafted at the request from the Commission for an opinion on the [Reflection Paper on the social dimension of Europe](#), but the EESC rightly decided to link it with [the Recommendation and Proposal for an Interinstitutional Proclamation on the European Pillar of Social Rights \(EPSR\)](#). The EESC had already welcomed the EPSR in an [opinion](#) adopted in January 2017, following the debates held with the organised civil society of all Member States.

Gabriele Bischoff, rapporteur of the opinion and president of the EESC's Workers' Group, said: *"There is a close link between the issue of social Europe and future of Europe. We understand that the Proclamation does not constitute any new legal rights, but, despite the lack of a legally binding character, such a Proclamation would entail a political commitment on the part of the EU institutions, the Council and the Member States to deliver on the EPSR while respecting the principle of subsidiarity."*

The EESC also suggested that, in the event the EPSR is adopted by all Member States, it would be crucial to make it an **"effective instrument"** and useful to adopt a **"clear roadmap"** for its implementation. *"We believe that further steps will need to be taken at the most appropriate level, including joint initiatives in key areas where EU action provides clear added value, and that, these should be focused on outcomes"*, said co-rapporteur **Jukka Ahtela** from the EESC's Employers' Group, adding that *"the social pillar should serve as an inspiration and reference framework for necessary reforms in Member States"*.

At the same time, the EESC asked for **more clarity and transparency** in the process, as the concept of "social Europe" is very broad and may be understood differently by different sections of society. Moreover, there is also much uncertainty, especially when it comes to the issue of **"who should do what"** in social policy and in which areas the EU should act and how.

"A consensus on who does do what must be reached and this needs to be clarified," Mr Ahtela maintained.

The EESC said that more efforts should be made to define common principles and strategies for the **upwards convergence of wages**, the **establishment of a minimum income allowing all people to live in dignity** and an **increased social cohesion and social investment**. It stressed the importance of **social dialogue and collective bargaining** for securing **well-functioning labour markets, fair working conditions and an encompassing social protection for all**, which is the very basis of the European Social Model (ESM) that distinguishes the EU from the rest of the world.

In this sense, the EESC also expressed serious concern over the **lack of enforcement of existing social rights** and "the different worlds of compliance" with EU law in Member States. *"There is certain reluctance by the Commission to properly address this issue. This is also a barrier to more convergence that has to be tackled,"* it warned in the opinion.

More action is especially needed regarding the social dimension of the EMU and the single market. As stressed by the EESC, the decision on which pathway to choose regarding Europe's social policies will fundamentally influence people's lives: *"This is not an academic question, this is not the question which only European experts can discuss, because whichever pathway we choose, it will have a huge impact on the life of the citizens,"* concluded **Ms Bischoff**.

ESMA receives mandate on fund performance from European Commission

The request supports the action, included in the EC's Mid Term Review of the Capital Markets Union of 8 June 2017, on recurrent reporting by the ESAs of cost and performance of the main categories of retail investment, insurance and pension products.

ESMA will now embark on a large-scale study assessing the reporting of costs and past performance of retail investment products, in order to increase investors' awareness of the net return of these products, and the impact of fees and charges. The implementation of MIFID II and PRIIPS, which will both increase the transparency on costs and charges, provide the right framework for such a study. For securities markets it will initially focus on the costs and performance of UCITS funds. In that context, it will also examine the differences between active and passive investing, and the impact on costs and charges, and long-term return.

The work will contribute to the objective of the CMU Action Plan to foster the participation of retail investors in capital markets by supporting the

assessment of the net return of retail investment products and the impact of diverse fees and charges.

ESMA has recently published an article in its latest *Trends, Risks and Vulnerabilities No.2 2017* on [The impact of charges on mutual fund returns](#) which included a preliminary analysis of the impact of ongoing fees, one-off charges and inflation on the returns of mutual funds, ahead of the EC mandate.

The impact of charges on mutual fund returns

ESMA carried out a first analysis on fund performance measures, developing initial metrics to analyse the impact of ongoing fees, one-off charges and inflation on the returns of mutual funds. Key preliminary results for the EU fund industry show: Substantial reduction in net returns available to investors, especially in the retail sector and weakly cost- or price-sensitive investment decisions by retail investors

On average ongoing fees and one-off charges and inflation-reduced returns available to investors by 29% of gross returns between 2013 and 2015. These reductions apply to all market segments, while varying across jurisdictions, asset classes and client types. Relative return reductions range from 11% for passive equity fund shares to 44% for retail fund shares in bond mutual funds. Relative and absolute return reductions for actively managed and retail fund shares tend to exceed those of passively managed and institutional fund shares. Despite the impact of fees and charges on the net outcome to investors, these do not seem to be reflected in investor choices.

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Taxation of the collaborative economy requires genuine European cooperation

EU Member States must work together and make every effort to achieve common international regulations for truly digital businesses

The EESC calls on the European Commission and the Member States to apply existing fiscal regulatory systems and tax regimes to the collaborative/digital economy. “The legal framework must lead to a **fair and balanced tax system for all** economic activities and business models, without limiting the collaborative economy’s potential to provide jobs and growth,” says **Giuseppe Guerini**, rapporteur of the EESC opinion on taxation of the collaborative economy, which was adopted at the October plenary session.

The collaborative economy is growing rapidly, finding its way into more and more business sectors. However, current tax regulations do not properly take

new business models and economic activities into account. This creates legal and tax-related uncertainty, distorts competitiveness, and leads to tax avoidance and revenue loss for EU Member States. To tackle these issues, the EESC urges national authorities to **step up their cooperation and adapt their regulations** to the new economic environment, providing a clear set of rules on tax obligations.

At the same time, from the Committee's point of view, only a **genuinely European approach** – one that creates a common and integrated legal framework with coordinated and harmonised regulations – will be able to properly address the digital economy since its actors often operate across borders or even without an established organisation in Europe. A common framework would also strengthen the European single market.

"Tax regulation must be in line with the Commission's overall objective to **tax profits where they are made**. Businesses in the **collaborative economy should be taxed the same way** as other businesses in the Member States. European authorities must establish channels of cooperation beyond Europe in order to lay down some ground rules for a truly digital economy," says **Krister Andersson**, co-rapporteur of the EESC opinion.

In its opinion, the Committee examines direct and indirect taxes. It believes that the introduction of a reasonable income threshold could help to regulate the taxation of revenue and considers that **more information about tax obligations** should be communicated to the general public.

Moreover, the advisory body urges EU and national legislators to follow the **principle of neutrality** in order to guarantee market access and fair conditions for conventional and new forms of businesses. Although new technologies facilitate and boost the collaborative economy, the EESC thinks it is important to assess it in its entirety, without equating it with the digital economy.

"When it comes to adapting current regulations, we must not forget that the collaborative economy involves different actors and business models with different activities and payment methods," says **Krister Andersson**, referring, for example, to the fact that the collaborative economy involves professionals and non-professionals as well as monetary and non-monetary transactions.

Giuseppe Guerini further explains that "on the one hand there are big players like **Google** that trade with collected data and advertisements on digital platforms, and intermediary platforms like **Uber** that match demand and supply, creating benefits for service providers and the platform itself. On the other hand, you have **peer-to-peer activity**, such as the exchange of goods, which normally does not imply a monetary transaction. It is **important to make a clear distinction** between businesses in the collaborative economy that merely make use of existing value and those that actually create shared social value by increasing citizen participation."

The diversity of the collaborative economy is a challenge not only for tax and fiscal law but also for labour law and social security systems. EU

policy-makers and legislators have to **ensure that consumers, workers and service providers – as well as privacy and personal data – are protected**. The EESC recommends involving civil society and relevant stakeholders in further debates on these issues. The Committee itself aims to further assess tax policy requirements, as well as the impact and outcomes of the taxation of the digital economy.

Background

The EESC uses the term “collaborative economy” to refer to business models where activities are facilitated by collaborative platforms that enable the temporary use of goods or services, often provided by private individuals. Its transactions generally do not involve a change of ownership and can be carried out on a for-profit or not-for-profit basis.

The collaborative economy has already transformed various sectors such as short- and long-distance transport, together with the hotel sector and house and room rental management. Other sectors, such as certain financial services, personal care and health services, are also increasingly falling within its scope. More sectors are expected to join in the coming years. In 2015, income related to the collaborative economy in the EU was estimated at some EUR 28 billion. The previous year, it stood at only half that amount. It is estimated that in future, the collaborative economy could create turnover of between EUR 160 billion and 572 billion across the EU.

Related opinions

[Sharing economy and self-regulation](#) (05/2016 – rapporteur: Jorge Pegado Liz)

[Collaborative or participatory consumption, a sustainability model for the 21st century](#) (01/2014 – rapporteur: Bernardo Hernández Bataller)

[Effects of digitalisation on the service sector and employment](#) (09/2015 – rapporteur: Wolfgang Greif, co-rapporteur: Hannes Leo)

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