European Economic and Social Committee
Employers' Group

Newsletter

September 2020

2015-2020 Term
FIVE YEARS WITH THE EMPLOYERS' GROUP

With September's EESC plenary session, the Committee's 2015-2020 term will come to an end. During this term, over 100 representatives of employers' associations across the EU worked for a business environment that strengthens the competitiveness of European enterprises, encourages entrepreneurship and provides favourable conditions for innovating, investing, operating and trading. Over the coming pages, we will give you an overview of our achievements of the last few years.

2015

6-8 October 2015: The new term started with **over 40%** new members in the Employers' Group. **Jacek Krawczyk** starts his second term as Employers' Group president.

European Economic and Social Committee
Employers' Group

44 Plenary sessions

2015—2020 Term
EESC EMPLOYERS' GROUP

164 presidents of study groups

2016

Joint declaration with major business organisations on a **horizontal EU SME policy.** Discussions took place with EU Commissioner **Elżbieta Bieńkowska.**

275 rapporteurs
68 co-rapporteurs

2017

Provided **rapporteurs for crucial issues**, such as **trade policy, EMU, the Social Pillar and industrial policy.**

Passing on our messages:
Meetings with leading actors from European and national politics and the business community.

Close cooperation with our partner organisations through continuous exchanges at joint events, meetings and by means of declarations.

Number of Twitter followers:

October 2015: **500**

September 2020: **1741**

+348 %

2018

Mid-term renewal: The Employers' Group took over the posts of Vice-**President for Budget, presidents of the SOC and NAT sections, VPs in all 6 sections and the presidencies of numerous bodies in the EESC .**

More than 21 publications, 44 newsletters and 12 studies

2019

Employers' Group declaration: ***"The EU is stronger the more united it is. We firmly believe in an open economy - with open markets and fair competition. An open economy must be accompanied by an open society."***

The Employers' Group was active in **crucial topics for European business** e.g. sustainable development, Single Market, taxation, SMEs, Brexit, COVID recovery, investment, The Future of Europe, Trade, Social Dimension, EU neighbourhood policy,...

More than

22 events in

13 countries

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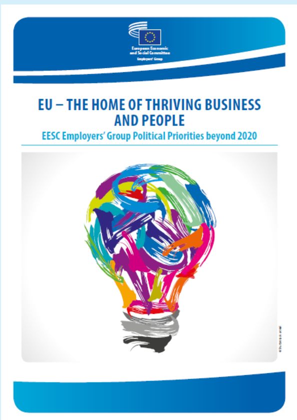
+ round tables



2020

The Employers' Group called for swift and ambitious measures to **tackle the economic effects of the Corona crisis** in two **position papers** and a **letter sent to all members of the European Council.**

European Economic and Social Committee

EMPLOYERS' GROUP (GROUP I)
The President

Brussels, 14 September 2020

Dear reader,

My mandate as the president of the Employers' Group will end on 20 September 2020. It has been an honour to be elected three times as the president, leading the Group for seven and a half years. The Employers' Group brings together more than 100 business representatives from all corners of Europe. The combined expertise of our members brings the reality of business to the European level and together we work to further improve Europe's business environment.

A vital part of our work is the cooperation between members, with our partner and member organisations, and with all other stakeholders on the European and national level. Through dialogue we can share our visions and find the best solutions to make the EU the home of thriving business and entrepreneurs. Especially in these challenging times, cooperation within the business community is more important than ever.

The last few years have shown that the close cooperation with associations and the business community has strengthened our impact and delivered concrete results. Together we organised over 35 events in 19 member states, hosted conferences, seminars and round tables, signed declarations and successfully advocated crucial topics for European businesses.

I deeply value all the inspiring discussions I had with Employers' Group members and all the numerous employers and employers' representatives in Brussels and in your home countries. This has been an incredibly enriching experience and they will remain as a guideline in my further activity within European employers' movement.

I want to thank you for our excellent cooperation during my time as president of the EESC Employers' Group. I am certain that the collaboration with my successor Stefano Mallia will be equally fruitful. I wish him and you all the best.

Yours sincerely,

Jacek P. Krawczyk
President of the EESC Employers' Group

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Employers' Group candidate for the next EESC presidency CHRISTA SCHWENG

Ms Christa Schweng is the EESC Employers' Group's new candidate for the next EESC presidency. This was the outcome of a formal election that the Employers' Group held on 14 September 2020.

Ms Schweng was elected by receiving 72 votes for, which is 84,71% of the total votes. Before the start of the new term in October 2020, Ms Schweng's candidacy has to be confirmed by the October assembly.

Mrs Schweng has been a member of the EESC Employers' Group for 22 years and is currently president of the Section for Employment, Social Affairs and Citizenship (SOC) at the EESC. Between 2013 and 2015 she was president of the Labour Market Observatory. Since 1994, Mrs Schweng has been a senior advisor to the Social Policy Department of the Austrian Federal Economic Chamber. She obtained a masters in Law studies at the University of Vienna.

Ms Schweng works on social and work-related topics on a European level in various functions. Since 1995, Ms Schweng has been a member of the Governing Body of the European Agency for Safety and Health at Work in Bilbao and the employers' spokesperson since 2001. Furthermore, she is a member of SMEunited's Social Affairs committee.

Mr Krawczyk, President of the EESC Employers' Group, fully endorsed Ms Schweng's candidacy for the EESC presidency for the 2020-2023 term of office.

The EESC calls for the introduction of safeguard measures for agricultural products in trade agreement

An own-initiative opinion on Introduction of safeguard measures for agricultural products in trade agreements was adopted at the July plenary session. This opinion, adopted just before the Commission's revision of EU trade policy is due to start, emphasises the geostrategic challenge of food production and the need to protect the production capacity of each country by promoting agricultural and trade policies adapted for this purpose, while guaranteeing international trade that can cope both with production fluctuations and with the perennial shortcomings of certain geographical areas.

According to the rapporteur, Arnold Puech d'Alissac, a member of the EESC Employers' Group, "IT capacity developments now make it possible to implement much more effective measures. These can be swift, automatic, proportionate and exhaustive in order to fulfil their role of protecting sectors, from producers to consumers."

The rapporteur also stresses that, "it's also an opportunity for the concept of sustainability to be recognised in trade negotiations to prevent cheap imports with insufficiently sustainable production conditions from being favoured over European production. In light of the Green Deal, consistency between environmental, agricultural and trade policies is vital."

About the author:

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Digitalization and its tax impact
WHAT ARE THE ISSUES AND WHAT ARE THE PRIORITIES?

The ECOSOC of the UN held a workshop on practical and policy aspects of taxation in a digitalized economy 9-11 and 15-17 September 2020. The Workshop gathered some 250 participants from governments, academia and organizations of many countries. The digital tax proposals of the OECD and the Inclusive Framework (137 countries) of a transfer of taxation rights to the countries in which the consumption takes place was discussed extensively. I participated as an EESC representative but in a personal capacity in the first session which set the stage. I emphasized the points below.

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Few impact assessments of the proposals have been made and these only investigate the impact on tax revenues. The effect on the behavior of governments and on private sector business decisions is however much more important – also for revenues in the longer term.

Shifting corporate taxation rights away from countries in which innovation and production occurs to the country of consumption will affect the incentives for governments. Very few innovations and start-ups are successful and eventually make a profit. For many years, most innovative investments will show losses and they will receive tax benefits through deductions and loss compensation. If a country no longer will be able to collect taxes from the successful businesses, it may no longer be willing to allow deductions for start -up costs. This will have an impact on the general business climate, technological innovations and on jobs and growth. There will simply be fewer innovations and fewer new businesses.

There is a difference between small and large economies. Large economies are always attractive for investment and business. Smaller countries do not have a big market and are therefore not nearly as interesting for international businesses. Smaller countries have therefore often tried to compensate for this handicap by having lower taxes on investments and profits. However, if profits primarily will be taxed where the consumer is, the effect of low taxes in production countries will be eroded. The same effect will happen if a corporate minimum tax rate is introduced. The tax differential will decrease and this will have an impact on tax competition – to the benefit of larger economies with many consumers. A recent study by ECIPE in Brussels has highlighted such effects of the OECD/Inclusive Framework proposals.

Public finances are of course sensitive to the business cycle. Tax revenues, in particular from consumption, increase in boom years. If the corporate tax is also based on consumption, the budget will be even more cyclical. Thus, the need for austerity measures with such a system will be larger in a downturn.

Implementing corporate taxation taking into account the country in which consumption takes place may well mean that not only profits but also losses must be allocated among relevant countries. Allocating losses would certainly be necessary if all profits, not only residual profits, are allocated to the country of consumption.

The rules proposed for allocating profits are very complicated. Even tax experts find them hard to interpret. The risk for misinterpretations by businesses and by tax authorities is obvious. This may lead to tax uncertainty and therefore lower investments. It will also lead to tax disputes between countries.

An argument frequently presented for digital taxes is the need to create fair competition between domestic, traditional businesses and foreign digital firms. At the same time, all companies and countries need to use new technology. Digitalization of businesses also contributes to more efficient tax collection and monitoring of financial flows. The Covid-19 pandemic has clearly highlighted the benefits of digitalization. A tax on digital services may actually slow down a necessary transformation of our economies.

In any case, digital taxes are not likely to collect much revenue, at least not in the near term. Thus, they would not be important for meeting social objectives. Economies currently face real challenges as a result of Covid-19 so it is important that the effort spent on designing and administering a digital tax does not distract from the need to improve the existing tax system. Now, it is more important to focus on improvements that can be accomplished in the near term such as collection of consumption taxes, such as VAT, than to spend effort on complicated rules for taxing a portion of profits from multinational firms. Ensuring that digital services and goods sold digitally are properly taxed with any VAT or sales tax will likely collect much more revenue.

About the author:

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Vice-President of the EESC Employers' Group

CEO of Intare AB

Recovery and Resilience Facility and Technical Support Instrument

In its opinion on the Recovery and Resilience Facility and Technical Support Instrument (ECO/527), the European Economic and Social Committee expresses its firm support for the European Commission's proposal.

In particular, the EESC warmly welcomes the proposed Recovery and Resilience Facility (the "Facility") and points out that, beyond its economic aspect, the European Commission's proposal also essentially promotes the deepening and unification of the European family, as it strengthens solidarity and cooperation between Member States. This also proves, among other things, that the European Union - provided there is the appropriate political will - can deal effectively with major crises, provide serious and credible solutions and make the necessary and realistic compromises, contributing ultimately to the substantial promotion of the European ideal.

Moreover, the EESC believes that the Facility should support the transition towards climate neutrality and the digital economy, using funds from Next Generation EU to help alleviate the socio-economic impact of the transition in those regions that have been most affected. Especially given the recent COVID-19 crisis, the need for a sustainable, green and digital recovery has become even more pressing, as has the need to provide support for the most vulnerable regions.

Furthermore, the EESC again makes it clear that it is "in favour of a strong linkage between the Reform Support Programme and the European Semester". This means that the plans submitted by Member States should address the main challenges identified in the European Semester and be harmonised with the principles of the European Green Deal and the Digital Agenda.

For successful implementation of these plans, the EESC stresses the need for speedy, effective coordination of action between Member States and the European Commission, European Parliament and European Council. If this does not happen, there may be delays that could jeopardise the achievement of the Facility's goals.

In the same vein, the EESC also emphasises that an immediate and full response from the Member States is required, given the short time within which the various project plans need to be prepared and completed. To this end, the EESC considers it important that Member States cooperate closely with the European Commission to approve, monitor and ensure the successful completion of the project plans submitted under the Facility.

These plans should, among other things, provide direct financial support for small and medium-sized enterprises. In this connection, the EESC stresses that every proposed measure, especially those providing financial support, should be accompanied by clear, business-friendly information on: what type of support is being provided; how SMEs can effectively access various existing EU financial instruments; whom they should contact at EU level if they have questions; what national bodies are involved in channelling the funds; which national players SMEs can turn to; what the role of national banks is; and what are their obligations.

The submission, approval, monitoring and completion of projects could be accelerated by actively involving private sector consulting companies with global experience in the relevant areas. In addition, the EESC emphasises the need to share best practice within the EU and speed up bureaucratic processes relating to the allocation and disbursement of available funds, with the European Commission providing the necessary technical support.

Moreover, the EESC points out that the role and views of the social partners and civil society organisations should be incorporated into the plans submitted by Member States. In particular, the EESC once more calls for a more active role for organised civil society "… in obtaining agreement between the European Commission and the Member States on the content of reform programmes". To this end, the EESC reiterates its suggestion of introducing a rule whereby no funding should be given to a Member State unless it has fully adopted application of the partnership principle with real involvement of the social partners and civil society when deciding on multiannual reform commitment packages.

Finally, the EESC underlines the need for the Technical Support Instrument to support Member State authorities in their efforts to design reforms in keeping with their own priorities and enhance their capacity to develop and implement reform policies and strategies, as well as benefitting from the good practices of, and examples from, peers. It holds the view that the Technical Support Instrument can act as an effective complement to the packages of measures that the Commission is proposing for addressing the economic fallout of the COVID-19 pandemic.

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Debate on a Carbon Border Adjustment Mechanism

What is the right price for greenhouse gas (GHG) emissions? High prices would be required to encourage a change in consumption patterns and incentivise investment, while low prices would keep energy-intensive industries competitive in the EU. The own-initiative report on *The sectoral industrial perspective of reconciling climate and energy policies* (CCMI/167) investigates this question from a technical and legal perspective. Rapporteur Aurel Laurenţiu Plosceanu met with representatives of the European Commission, the European Parliament, social partners and fellow EESC members to discuss this topic on 2 September.

Mr Plosceanu explained in the debate that energy-intensive industries are today under strong pressure to achieve climate neutrality. An international level playing field is necessary for maintaining the competitiveness of European enterprises. In the proposed report, the EESC asks the European Commission to compare different policy options by taking into account the impact of carbon and investment leakage, legal certainty on compliance with WTO rules, acceptability by trading partners and technical feasibility.

Ms Emmanuelle Butaud-Stubbs, rapporteur of the opinion on *Carbon markets: Emergence, structuring and challenges for European industry* (REX/531), stressed that given the existence of many different carbon markets, common international rules are necessary. Such an international system has to be based on WTO rules. It is necessary to pursue an ambitious and continuous climate diplomacy. Besides this, Europe must also invest in green technology and R&D to manage the ecological transition.

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