



HOUSE OF LORDS

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VISIONS OF EU REFORM

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Questions 53 - 64

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4.05 pm

Witnesses: Andy Bagnall, Chris Cummings, Frances O'Grady and Owen Tudor

Members present

Lord Boswell of Aynho (Chairman)
 Baroness Armstrong of Hill Top
 Lord Borwick
 Lord Davies of Stamford
 Baroness Falkner of Margravine
 Lord Green of Hurstpierpoint
 Lord Jay of Ewelme
 Baroness Suttie
 Lord Trees
 Lord Tugendhat
 Lord Whitty
 Baroness Wilcox

Examination of Witnesses

Andy Bagnall, Director of Campaigns, CBI, **Chris Cummings**, Chief Executive, TheCityUK, **Frances O’Grady**, General Secretary, TUC, and **Owen Tudor**, Head of European Union and International Relations, TUC

Q53 The Chairman: Good afternoon, witnesses; you are very welcome. We appreciate you giving up your time to us and also the contributions you have already made, whether by written submission to this Committee and/or contribution to the public debate by publication. It is generally understood that the issues around the reform and renegotiation referendum agenda are still getting under way in terms of their public understanding here and we are most grateful to you for sharing your insights with us. It would be sensible at this stage if, perhaps, looking from my left to right but with no political connotation—because we are, I hope, fairly militant but not too political, although some others on the Committee will have political affiliations—we could start with Owen introducing himself and then go down the line.

Owen Tudor: I am Owen Tudor. I am head of the European Union and International Relations department at the TUC.

Frances O’Grady: I am Frances O’Grady. I am the General Secretary of the TUC.

Chris Cummings: I am Chris Cummings. I am chief executive of TheCityUK.

Andy Bagnall: I am Andy Bagnall, director of campaigns at the Confederation of British Industry.

The Chairman: Thank you. It has occurred to us that we do not normally, or not at all often in my experience, have direct dealings with the social partners, to use a European phrase. Perhaps you will tell me if that is now out of date or has been superseded. We are delighted

you are here. It is in pursuit of what is a common objective, which is to shed light on the process that I have already described—its boundaries. Our earlier report, which was published in July and was done quickly, was very much about the nuts and bolts and process of the Government's discussions and negotiations. We are now reinforcing that work and looking at some of the issues as to wider vision, as to whether there is a common objective or whether this is a private dialogue that may not be shared with other member states or other particular interests. That is what we would like you to talk about.

In general terms, all of you will be familiar with the general rules of engagement: i.e. this is a public evidence session; it will be webcast; you will be sent a transcript and, obviously, if there are errors of a factual nature to be corrected, please share them with us. Equally, if you have afterthoughts as to something you want to draw to our attention, please feel free to do so. If you will allow us, we will to some extent structure these questions to individuals, but I would not like to make this too stilted, and if people feel they want to join in we will try to accommodate that. That applies both to colleagues and yourselves, but we are very grateful.

We will start, straight off, with a question. I suppose this was the moment when things became slightly more immediate, when, on 10 November, just a month ago, the Prime Minister wrote to the President of the European Council, Donald Tusk, and set out the Government's negotiating requirements more clearly. Do you feel, as a result of that—and we now have the Tusk letter, as it were, coming back to the other members of the European Council—that you will have any clearer understanding as to the United Kingdom Government's vision for EU reform? Could I ask Frances O'Grady to start on that one?

Frances O'Grady: Thank you. Members may be aware that we have been very concerned to understand more clearly what the terms of any renegotiation that was being sought might be. We had gained information that issues of core concern to working people in Britain were the rights afforded under the working time directive and to agency workers, and the prospect of any new rights, given the very big changes that we have seen in the labour market, with the growing numbers of workers who suffer from a casualised employment status. We had been pressing for some time for much greater clarity on these issues—about whether the Prime Minister was seeking to water down or worsen workers' rights. We are pleased that in the letter or statement that the Prime Minister wrote there was no explicit reference to workers' rights, which, while we have been around long enough not to take as an iron-cast guarantee, gives us some assurance that we believe it would be much harder at this stage to surprise us with any new information on workers' rights.

Are we clear about the four headings and the content? I have to say it gives us some greater degree of understanding, but there is an awful lot of detail missing and some words like “competitiveness” that can be interpreted in a multitude of ways, and not all of them good from our perspective and in our experience. We have a degree of greater understanding and a degree of assurance that, after considerable campaigning on our part and that of our sister union centres in the EU, there was nothing specifically written about workers’ rights per se, but a continuing sense that there are huge missing aspects to what we believe the UK Government should be seeking in terms of a social Europe fit for the 21st century that delivers real gains, good jobs, decent rights and strong protection for ordinary working people as well as a voice, which social partnership is premised upon.

The Chairman: Staying with this theme of vision, after what you have said, would it be your view and, indeed, the view of European trade unions—the people you deal with—that the objectives of what, for shorthand, we will call a social Europe and an economically competitive Europe are not mutually incompatible but should be seen as part of the same package?

Frances O’Grady: Absolutely. Nobody has a greater interest in a more successful, productive group of economies in Europe than trade unions. Because that term “competitiveness” can be used so loosely, we think it is important to say that we think some of the big challenges facing Europe, not least in the wake of the financial crash, are ones about how we create a finance sector that supports the real economy and the creation of good jobs. How do we deal with the fallout of the crash—the debt—in a way that is fair to everybody? How do we deal with depressed demand that has arisen through falling living standards and a falling share of wealth going to labour? How do we deal with some of the other big questions that we face, such as climate change and immigration? From our perspective, these are the big questions that make a real difference to working people’s lives.

The Chairman: Before I go on to Mr Bagnall, you will be aware that the Prime Minister talked about flexibility and diversity as being key themes. I suppose, in a sense, not putting words in your mouth, those are unexceptionable, but do you and your colleagues in Europe have parallel concerns about fairness and, arguably, discrimination in the workplace? I am thinking of whether, for example, if people are on different conditions according to their national origin or otherwise, it might cause industrial relations difficulties in the practical workplace. Do you want to say anything quickly about that? You were talking about the social Europe side and I just wondered, Owen, whether you would like to chip in on that.

Owen Tudor: Sure. Flexibility and diversity, in some ways, are exactly the same in terms of competitiveness; you can have good and bad, and it depends which way you interpret them. Certainly, in terms of fair treatment, we think that one of the problems the European Union faces at the moment, and we face it in the UK, is the differential treatment of people depending on their national origin, in particular for instance in Britain—

The Chairman: You mean even within the existing posted workers directive.

Owen Tudor: Indeed; absolutely. We do not, for instance, think that the posted workers directive is implemented effectively enough in its spirit. That has led to conflict in industrial situations where people certainly feel, and we think there is evidence, that people are being brought in from other countries, on lower terms and conditions, to undermine the existing terms and conditions of the workforce. We do not think that is a particularly sensible way to organise industrial relations and it simply stokes up social tensions as well as industrial tensions.

The Chairman: We will be revisiting this in relation to migration, I am sure, but Lord Davies has a point first.

Q54 Lord Davies of Stamford: Ms O'Grady, you said rightly that there is no apparent attack, so far as we can see, on workers' rights in the letter the Prime Minister has sent to Donald Tusk. That, of course, is true for British workers, but there is a specific attack on the rights of workers from elsewhere in the EU within four years of their arrival, and some of those workers, I suppose, might well be members of a trade union that is affiliated to the TUC. Do you have views about that, and would the TUC or your existing members, your trade unions, be prepared to take up the cause of somebody who was told he could no longer qualify for the same in-work benefits that a British worker alongside was receiving?

Frances O'Grady: We are on public record as saying that, apart from the concern for those workers themselves, our concern is that such an attack could represent the thin end of the wedge. Our understanding is that there was very strong advice to the Prime Minister not to include that specific point within the statement, not least because he may find himself hitting a legal brick wall in respect of discrimination, human rights and freedom of movement principles. What is also worrying about this is the risk of discrimination on the basis of national origin and, more generally, a world view that suggests that treating one group of workers worse than another group is somehow going to help us in the big challenges that we face. I have not seen the costings on this and I have not seen the evidence base for it, but our view was that in any case the UK Government would face significant challenges, as indeed

Donald Tusk suggested—that this was not an area of consensus. So we are waiting to see on that one.

Andy Bagnall: On your initial question of whether the Government have been consistent in offering clarity around its reform agenda, we think, broadly speaking, they have. If one looks back to the Bloomberg speech in January 2013, where the Prime Minister set out the initial outlines of his agenda, many of the elements contained in that speech have survived, through various newspaper articles giving a bit more detail, into the letter to the Council President, Donald Tusk. So, from our point of view, we think there is broad clarity at least in the headings. Like Frances, we obviously await some of the detail; the devil is sometimes in the detail of these proposals, but the broad headings are clear.

The Chairman: Do you want to leave the other one until later, or do you want to comment on the sort of fairness and discrimination issues that have been raised?

Andy Bagnall: Specifically on in-work benefits, the CBI has not actively investigated that issue, simply on the basis that other elements of the Prime Minister's reform agenda are more directly business-facing. We have tended to focus on the reforms that we would like to see under the headings of economic governance and around that word "competitiveness".

The Chairman: Before I move on from my question, Chris Cummings.

Chris Cummings: Thank you, Lord Chairman. It is a pleasure to have been invited to testify to this Committee. Its work is particularly timely and important. In terms of understanding the Government's agenda, I would say we have a developing insight into it through the Bloomberg speech, as Andy mentioned, through to the Prime Minister's letter and, indeed, Donald Tusk's response. There are two big areas for my industry, of course. The first one is around the economic governance—the fairness agenda. The second one is around competitiveness.

The fairness agenda is particularly important to us because the City is not only the UK's financial centre but Europe's financial centre, supported by a network of other financial centres across all 28 EU member states. Our members tend to come to the UK being international firms, base themselves here in London, but then do business across all the 28 EU member states, although it is true that we have done very well in the UK attracting French banks, Italian insurers and asset managers, and German firms. When I look across the City, I see very much an international financial centre. It is hard to be the No. 1 global financial centre if we are only to serve the UK, so the fairness issue between the euro ins and euro outs is one that we feel particularly strongly about, maintaining that level playing field and full access to the single market.

The second major area for us is competitiveness, which we take to mean Europe's ability to compete at a global level. I look particularly there at the work being done on trade negotiations, not only with the US in TTIP but the evolving discussions in Japan, China and so on, because, as the European Union itself has recognised through research, 90% of the global growth will occur outside the European Union over the course of the next 10 to 15 years. If the European Union is going to be successful in creating much needed jobs and economic growth, it can only do that partly through better trading relationships and through trade deals. The issue of competitiveness is hugely important for us looking outwards.

Of course, the single market is a true asset for the whole of the European Union. It is the world's largest free trade zone—500 million people, with a very high level of GDP even today—and so growth-oriented policies, as set out by the Prime Minister, are also particularly important.

The final thing that I would comment on is the Prime Minister's comment about recognising where the European Union is today as a multicurrency, perhaps multidirectional Europe. My reading of Donald Tusk's letter in response to the Prime Minister seemed to move a long way in recognising that that is actually the case. So I would say our impression of the Prime Minister's agenda—the Government's agenda—is that it is one coming to fruition, where what started off as themes are now being solidified into specific proposals.

The Chairman: Thank you. We will move straight on to Baroness Suttie.

Q55 Baroness Suttie: Good afternoon. This is a question for all four of you but perhaps particularly the CBI. How would you respond to suggestions that the Government's reform proposals are disproportionately driven by a London and perhaps Westminster-centric agenda, at the expense of the interests of the nations, regions and interest groups elsewhere in the UK?

Andy Bagnall: In so far as the Government's reform agenda overlaps with the CBI's agenda, I do not think that is the case. We, as the CBI, have a network of offices in every region in England, and, of course, in the devolved nations as well, and have consulted all of them, through our regional council network and bespoke round tables, to arrive at our position. What we found, in so far as the business community is concerned at least, is that there is broad consistency in the business community across the UK for a more open, outward-looking and competitive Europe. The biggest area of overlap between the CBI reform agenda and the Prime Minister's agenda is very much, as we have said, in that competitiveness space, wanting to expand the boundaries of the single market, particularly services and digital; picking up some of the points that Chris mentioned, the trade agenda, really accelerating the negotiation of trade deals; and, also on that competitiveness point, focusing down on

regulation, ensuring that it will not be overly burdensome for business, ensuring that regulation supports growth rather than detracts from it. For us, that is broadly consistent across the UK.

A trade deal with India, for example, would massively benefit the Scotch whisky industry. At the moment they are suffering about 150% tariffs on their product—it is considered an absolute luxury product in India—to protect the domestic market. That is just one example of a potential benefit to Scotland from that agenda. Similarly, in terms of the digital single market, a small tech company I was talking to the other day from Leicester will benefit from advancing the digital single market, just as much as a company in London or, indeed, anywhere else in the UK.

In terms of the point about it being London-centric—and Chris is probably better placed than I am to talk about this—the needs of the City are vitally important, and post the financial crisis there obviously has been a drive for regulation in the financial services space. Getting that balance right between those countries inside the eurozone and those countries outside it is another important part of the CBI agenda. I can see how that might lead some to think of that as London-centric, but the financial services industry again is not just the City of London; it is a UK-wide industry. Approximately half of FS, in terms of output, is in London, but the other half is spread around the UK. The success of the City of London helps support the industrial economy again right across the United Kingdom. While the City represents unique challenges in terms of the current reform agenda, clearly there is a knock-on benefit for the wider UK. From a business community perspective, we do not think it is a London-centric agenda; we think it is an agenda that can benefit UK-wide businesses, and not just UK-wide but across the whole of the European Union as well.

The Chairman: We might go on to Chris Cummings now. One could argue, flippantly, that you might be disturbed if it was not London-centric, so perhaps fill us in.

Chris Cummings: As I mentioned a moment or two ago, the City is a European asset, and so protecting its position is not only good for the UK but good for the whole of Europe. If I could just add a note of colour or two on that, my industry employs 2.2 million people here in the UK and two-thirds of those are outside the M25. We talk about the City, and traditionally the City used to mean the Square Mile. We now go as far as Canary Wharf and Docklands, but, more seriously, the City creates jobs across the whole of the UK. Just last year, 34,000 more jobs were created in financial services, half of them in the north-west—the northern powerhouse to which the Chancellor often refers.

What we find is that major international organisations come from Europe to the UK, such as Deutsche Bank, which is now a major employer in Birmingham. They come from America; Citibank is a major, major employer in Belfast. JP Morgan is the largest private sector employer in Dorset. They would not be here in the UK if it was not for the City; they would not be here if it was not for access to the single market. But in framing these discussions it is very important that, when we talk about protecting the City or advancing the City's cause, what we mean by that is how we create high-value jobs across the whole of the UK. We are very fortunate in that financial services jobs are twice as economically productive as jobs in other industries. The average industry gross value add is around £50,000 a year. In financial services it is £85,000 a year, hence the appeal of jobs in financial services. Certainly, from my side, what I see is countries around the world competing to try to lure away jobs from the UK or people trying to establish their own international financial centres. We see an agenda from the Government that is understanding of the City's needs but not based or drawn exclusively from them.

Frances O'Grady: The trade union movement has an interest in a healthy and successful finance sector because we organise many of the workers who are employed in it, but we may have different views about the importance, for example, of regulation following the financial crash and the damage that that did to the whole economy, society and the people we represent. I would draw a distinction between the City of London and the rest of London; as I sometimes have to explain to my friends in Scotland, for example, they are not always the same thing. The interests of working people in London may not always coincide with those at the top of the towers in Canary Wharf.

It would be wonderful to see the same energy that goes into defending the finance sector, as we perceive it, going into defending areas of the real economy that we think are vital to our futures. For example, I was up at a rally to save our steel industry in Sheffield a couple of weeks ago. As unions we have been constantly told that EU rules prevent intervention in that industry to protect its future—an industry that is an industry of the future. It is a foundation industry for many of the industries, like electric cars, aerospace and wind turbines, that are vital for good jobs all around the UK. Whether or not I believe it is EU rules stopping the kind of interventions we want to see is another question, but if we are being told by the Government that that is what is preventing protection of the future of those companies and those jobs, then it would be great to see an equal amount of energy, if not more, going into lobbying Europe on that issue.

Q56 Lord Borwick: My question is to the TUC. Can you talk more about your statement about social Europe in the written submission, when you use the phrase “difficult to convince working people that the EU was worth voting to remain a part of”? Are you implying that working people would normally vote to be out of Europe if it was not for the social Europe? Secondly, you talk about the need “to avoid the creation of a two speed social Europe”, but we have a two-speed Europe in several other respects, not least the currency. Would you think that there should be more choice on the currency than there is on the social Europe side?

Frances O’Grady: When we first got wind of the concern that diluting workers’ rights might be part of the renegotiation package, we carried out some polling, the results of which have been confirmed by other polls subsequently, that showed very clearly that for those who want to win a referendum for the UK to stay in Europe worsening workers’ rights is absolutely the wrong way to go about it. Subsequent polls have shown very clearly that people can be convinced that staying in the EU is good for them if it is about good jobs and strong rights, if they feel protected, if we can address some of the concerns about migration and undercutting of wages, for example, by targeting not the migrant worker but those employers who exploit them and fail to respect union industry agreements that provide for equal pay regardless of the passport you hold. That was our interest and we would be very happy to share those polling results.

It was part of a broader argument on our part that for those who advocate the UK staying in the EU—and believe you me we also understand its importance for investment and jobs—there has to be a positive offer to ordinary working people; there has to be a strong story that spells out what is in it for them. It is not good enough simply to talk about the trickle-down benefits that will eventually reach people, maybe. People want to see a direct benefit. The social model has played a very important role for the trade union movement, convincing our leadership, our activists, our members, in the past that, yes, we can have a single market, but that must be balanced by strong protections and a voice for working people too. There has to be a bargain at the heart of this. It may be that that bargain needs updating—and, I would argue, strengthening, given the new challenges that we face in this century—but certainly that bargain needs to be in place. I do not know if you want to pick up on the second part of the question, Owen.

Owen Tudor: In terms of the two-speed Europe argument, we think that there is a common labour market across the European Union as the amount of migration for work suggests and that, therefore, it makes sense to have that labour market regulated in the same way across Europe. You can have amendments to that; we have a minimum wage, and until recently

Germany did not, for instance. There is a common core of employment rights that apply across the European Union because that defends people who are quite likely to move from one country to another and ensures that the countries, if they are competing, are competing on a level playing field in terms of workers' fundamental rights—health and safety, for instance. We often say this about international health and safety standards. People are not affected differently by chemicals in different countries, because they share the same physiology; therefore, you have the same standards in each of those circumstances. We are concerned that in those areas where it makes sense to have a common standard, as we maintain it does in many areas of employment rights, it does not make sense to have a two-speed Europe because that means you get unfair competition between countries on things that we do not think there should be competition over.

Lord Borwick: Do the CBI and TheCityUK have any comments on those points?

Andy Bagnall: We certainly would not disagree that one needs to get the balance right between creating an environment that is flexible for employers and allows business to flourish and prosper for the benefit of all and, on the other hand, has social protections. The CBI supports a basic floor of rights across the European Union. If nothing else, that is in the interests of many businesses, to prevent the unfair competition that Owen was talking about, being undercut by those with lower working standards. There is certainly not a queue of CBI members at the door of our offices calling for a reduction in things like maternity pay, paid holiday, equality legislation and discrimination legislation. It is not something in our reform agenda. While we think some aspects of it are better conducted at the national level under principles of subsidiarity, it is not something that we have called for in terms of wholesale repatriation. However, it is important to CBI members that we preserve existing flexibilities within that system. We would disagree with Owen that there is a single labour market across Europe. We think there are a number of distinct features of different labour markets—perhaps not a two-speed Europe, but we certainly think that there is a multisphere Europe in a number of different areas. We would want to see the UK, which within the construct of European legislation still has one of the most flexible labour markets in the world, retain that positive environment for business.

Chris Cummings: I think Frances and Andy have made some very good points. So, rather than me detain the Committee too much longer, I would say that the UK has benefited very well from a very flexible labour market.

Q57 Lord Jay of Ewelme: I wanted to ask a question about economic governance, which has already been referred to by all of you, and in particular the relationship between the

eurozone and non-eurozone member states. The Government are seeking to secure “legally binding principles that safeguard the operation of the Union for all 28 Member States—and a safeguard mechanism to ensure these principles are respected and enforced”. I wondered how you thought such safeguards could be achieved, in particular perhaps in relation to the financial services industry, but not just that, because it seems to me that this is not an issue that refers just to the financial service industry but to industry as a whole.

The Chairman: We might ask you to take a lead on this, Chris, and others please feel free to comment.

Chris Cummings: I am very happy to. This is one of the areas of the Prime Minister’s letter that we have given most scrutiny to and are consulting with our members to hear from them what they would like to see as well. The basic principle that we wish to maintain and protect is one around the non-discrimination approach of access to the single market across all EU 28 member states. For us, that is the paramount undertaking. Looking at how that could be delivered—the practical application of that—we are staying close to Government, but also using the fact that TheCityUK has members in operations in every European member state, to hear from other European member states as well about how they are interpreting that request from Government and to hear from business in Europe as to the ideas that they may have to bring this about. The encouraging thing is that, in the conversations that I have had in other European member states, policymakers and business are very minded to explore with UK politicians what safeguards they are looking for to achieve the protections that the Prime Minister has asked for.

Lord Jay of Ewelme: You take that to be not just an idle question but a genuine concern about trying to find a solution.

Chris Cummings: Absolutely I do, yes. I am very struck by how other European member states also have their ideas for reforms and published some in discussion. When I talk to the business community in other European member states, there is a very strong desire to keep the UK at the table—indeed, dare I say, for the UK to increase its leadership role, its vigour of engagement, in other European member states and in Brussels.

The Chairman: I will bring Baroness Falkner in now on this, but the others can contribute later on too.

Q58 Baroness Falkner of Margravine: Mr Cummings, it is very interesting to hear you say that, because my reading of President Tusk’s letter is that it is a rather lukewarm response. It does not seem to chime with what you are telling me. If you do not mind, I will just quote briefly from it: “allowing Member States that are not in the euro the opportunity to raise

concerns, and have them heard, if they feel that these principles are not being followed, without this turning into a veto right". It seems to me that that is a pretty tepid assurance, and I wonder what you find in terms of a concrete solution in the partners that you have just described to us that you are having these discussions with.

Chris Cummings: The best way that I could answer that is to say that the options are being explored. I have not yet found a concrete solution that I would be happy to present to you or this Committee. In the conversations that I have had in Brussels and in other European member states, there has been a willingness to engage with the discussion. When I read President Tusk's letter, the part you quoted also stood out to me as an obvious area where our Government may need to engage more to set out their agenda and describe exactly what they are looking for.

Owen Tudor: We talk a lot about these issues with our colleagues in the European Trade Union Confederation and sometimes also with our whatever the word is in the European business community. There is slightly more acceptance from other parts of Europe than President Tusk's letter suggests in that area. There is an understanding, certainly not a veto and not special protections for non-eurozone countries, but people do understand the principle of non-discrimination and are concerned to ensure it happens. Certainly, that is the view from the trade union movement.

It is worth noting that from the trade union movement's perspective the advantages do not flow all one way, whether you are inside the eurozone or outside the eurozone. For instance, a number of other fellow trade unionists would be quite happy not to be bound by quite the same rules over state budgets and austerity. There are two ways. I do not think it would be right to argue for special privileges, and I do not think it would be right to argue for vetoes in this circumstance, but some way of ensuring that there is non-discrimination and non-disadvantage in the way that operates.

In terms of practical steps, that is the sort of thing that we would be interested in discussing further with people. The idea of observer status automatically is certainly one that has some support from both sides of industry, in some cases even occasionally votes. The European Trade Union Confederation, for instance, operates on the basis that we have members outside the EU, such as in Norway and Turkey. They would be hugely impacted by decisions taken by the rest of the European trade union movement, so they are full voting members of our organisation, able to take a view on those matters and be not just heard but counted.

Andy Bagnall: From the CBI perspective, it is worth noting as a first point that we support the further integration of the eurozone in order to sustain the euro currency. It is in our interest, as

a UK business community, to have a stable, prosperous eurozone; very crudely put, a more prosperous, larger export market for us is more sales and more jobs created here in the UK.

The integration of the eurozone throws up, as the other panellists have said, some legitimate questions about how we ensure the primacy of the single market of 28—that non-discrimination principle—not just for financial services, but some argue that further integration of the eurozone may lead to a spillover effect where issues beyond those pertaining directly to the single currency are caucused upon by eurozone members. It is worth saying that there is very little evidence of that happening. The eurozone itself is a very diverse place, but there is a question—

Baroness Falkner of Margravine: What about the Financial Transaction Tax?

Andy Bagnall: Under the enhanced co-operation procedure, but that is not completely synonymous with the eurozone; that is a smaller group. Clearly, it does throw up a legitimate question, and so we would support the idea of safeguards to protect those countries currently outside the eurozone, but particularly the United Kingdom and Denmark, which obviously have a permanent opt-out from the eurozone.

With regard to the question around some of the exact mechanisms, there are some examples that could be drawn upon: the banking union arrangements, which created a double majority, but, similarly, some of the legislative solutions themselves have clauses within them that assert that non-discrimination principle, MiFID and others. Rather like TheCityUK, we are non-discriminatory towards the right solution. We care most about getting the right outcome in terms of a mechanism that provides those safeguards.

The Chairman: We will go straight on to competitiveness and Lord Green.

Q59 Lord Green of Hurstpierpoint: The Prime Minister has argued that all the different promises, proposals, agreements on the single market, on trade, and on cutting regulation should be brought into what he describes as “one clear commitment that writes competitiveness into the DNA of the whole European Union”. The question is: what would such a commitment look like, and would it deliver a step change in competitiveness and in implementation of the single market?

Andy Bagnall: We support the thrust of that ambition. We think there is a question around competitiveness of the European Union for the UK and for the other member states in a changing global economy. Chris alluded earlier to OECD predictions about where global growth is going to be driven from in the next 10 to 20 years. It is very important that the EU has a mind to its position in an increasingly competitive global economy.

In the CBI report *Our Global Future*, in 2013, we proposed a symposium, but it could take other forms, trying to create the political will and impetus behind a dynamic that would hardwire competitiveness in. We are seeing quite a lot of progress on bringing together the different strands of a competitiveness agenda. We have seen proposals around a single market, capital markets union, the services emphasis in the recent single market strategy and the digital single market that I touched on earlier, but in that trade strategy setting out ambitious proposals for future trade deals and negotiating the TTIP at the moment.

Probably the one that is of most concern to the CBI is around the regulatory agenda. Again, we have seen some progress. There is the restructuring of the Commission and the introduction of the six Vice-Presidents to focus down on the big ticket items. We would like to see a way that that would be permanent and survive beyond the term of one Commission. We have also seen First Vice-President Timmermans take an approach that puts competitiveness at the heart of the legislative agenda, reducing from 314 new initiatives in 2010 to this year and next year just 23 new initiatives, really focusing down, as well as making a number of technical changes around the impact assessment process to ensure that the real impact of a legislative proposal is properly assessed. We think that, taken together, those initiatives are driving competitiveness into the heart of the EU institutions, but, as always, there is a lot further to go. A lot of these proposals are proposals at the moment and we need to work through their implementation.

Chris Cummings: I agree with much of what Andy has said. I would say, for TheCityUK, that this really falls into three areas. The first one is around structural change in Brussels. President Juncker has introduced significant structural change, most of which is to be welcomed. If I think about the Financial Services Commissioner Lord Hill, he is introducing only 20% of the regulatory agenda that his predecessor followed. His predecessor was coping with the consequences of the financial crisis, out of which we saw over 40 new European regulatory initiatives and new directives, which the financial services industry stepped up to and is implementing. From a structural point of view, the new Commission, the new mandate, has started incredibly well and is doing just the right thing.

In terms of my other two points, the first is internal and the second one would be external. Internal is about the completion of the single market. Proper completion of the single market would add up to around £4,000 of benefit to every household in the UK—completion of the single market for financial services but looking at digital and, indeed, discussions around energy security and an energy single market. Those are substantial areas where work has happened but more could be done.

Externally, because competitiveness is a relative measure, we can seek to be competitive within ourselves within 28 European member states, but for me it is about global competitiveness—how Europe competes in a very changing global environment. There the work of Commissioner Malmström has struck just the right chord, but there are three specific things that we would recommend. The first one is increased resources for her team. Given the scale of free trade negotiations that Europe is doing at the moment, it would seem that more heft is required there. The second is looking at Europe's approach to the third country regime—how Europe assesses whether another country is suitable to trade with, to make sure the regulatory standards are, if not consistent, then coherent, within reasonable tolerances. The third is a new code of conduct for the Commission in trade negotiations. I would be happy to set those out more fully in writing if the Committee would find it useful.

The Chairman: That would be very helpful. Frances, do you want to say anything?

Frances O'Grady: Only very briefly. In terms of your specific question, a cynic might say it sounds more like a soundbite than a practical set of proposals. Competitiveness is one of those motherhood-and-apple-pie words, is it not? Who is against competitiveness? The question is how you deliver it and for whose interest, to whose benefit. Clearly, we are in favour of competitiveness that delivers rewards for working people too and that delivers success for the long run, not just short term. There are big, huge questions behind all that, which I would be happy to debate, but I suspect we do not have time for it.

The Chairman: Lord Green, do you want to come back? I know you have to leave at some stage.

Q60 Lord Green of Hurstpierpoint: This might be an unfair quotation, but this is to the TUC. There is a quotation that “competitiveness is not the main economic problem facing the EU”. I suspect I know why you said that and I suspect that, taken on its own, it is a bit misleading because, as you said, it is motherhood and apple pie; the devil is in the detail of this. What I hear the CBI, TheCityUK and you saying is that you need to understand in more detail what this really means—what does it really involve to broaden and deepen the single market?—but I guess we would all share that this is an important overall objective. Am I interpreting you correctly?

Frances O'Grady: Absolutely. Is the route there? Certainly, we would not accept that deregulation for the sake of deregulation is the answer.

Owen Tudor: The stress, as I am sure you know, is the point. Our view is that it is not the main problem facing the European Union. We would have preferred to see something in there about what you do to stimulate internal demand in the European Union. The eurozone has a

positive trade balance and that suggests that it is competitive. It could always be more competitive, but we think the main problem facing the European Union at the moment is a lack of internal demand, and competitiveness very often is not the way that you achieve that.

Lord Davies of Stamford: Would not the most dramatic and effective boost to competitiveness and productivity in the European Union come from a services directive, from the creation of a genuine single market in services, such as we have already had for some years in goods? Has the Prime Minister not missed a major potential trick in not asking for one?

Owen Tudor: We have a services directive and there is work to be done on deepening that, although, as people will remember, there was quite a lot of conflict over the original services directive in what precisely the detail was and what it covered. Again, we go back to saying that we think the main thing you could do to stimulate the European economy at the moment is stimulate demand inside the European economy. That is what is missing. While strengthening the internal market might contribute to increasing demand in some ways, there are simpler ways of doing it.

Chris Cummings: I would certainly echo your comments about the need for modernisation or a refresh of that thinking, because, given the scale of competitive advantage that the UK and, indeed, Europe has on services, the natural starting point would be to look at how, as we have a single market for goods, we could continue to develop the single market in services.

Andy Bagnall: May I just add one point? Credit should be given to the BIS department for driving forward that agenda around services. You can see that the UK non-paper on services traced through into the recent single market strategy. Of course, I would agree more can be done at—

Lord Davies of Stamford: Including the renegotiation agenda.

Andy Bagnall: Certainly, for us, it is a priority. I have talked about extending the single market in digital, but services, absolutely. A strong service-based economy like the UK would stand to gain enormously, exactly as you said, Lord Davies, on that point, and the 2006 services directive is largely unimplemented in many parts of the EU, so it is certainly a priority for our members in driving that forward. But I did just want to acknowledge the work of BIS in pushing that agenda, and long may it continue.

The Chairman: Baroness Falkner, do you want to come in on these issues?

Baroness Falkner of Margravine: Just very briefly, only to the TUC. I accept what you say about that quote being slightly taken out of context. I will just put a definition on the table, but

if you accept that in this context competitiveness is good for structural reform, would you then agree that Europe does need more structural reform?

Owen Tudor: The problem would be what structural reform is code for. The problem, in our experience—

Baroness Falkner of Margravine: We were just talking about the services directive; we are talking about professional qualifications not being recognised across the EU. There is a host of very evident structural reforms that we know about that results in barriers to the different markets operating as they should.

Owen Tudor: I agree, but I am not entirely certain that this requires a renegotiation of the European Union structures. This can be done through the process of creating directives and making changes within the European Union. Our concern about competitiveness, structural reform and so on is that you can have good and bad in both areas. To take one example of what would assist in promoting competitiveness—for instance, a more trained workforce—you can get short-term competitive advantage by sending kids up chimneys. You gain long-term competitive advantage by making sure they have a decent education, are more skilled workers and able to be more productive in the workplace. It depends entirely which bits of it you want and what the best method of achieving that is. You can make a lot of these changes without a renegotiation process.

The Chairman: I have a feeling we have gone into some deep philosophical issues there. We will now bring it down to a rather tough issue currently, with Lord Blair.

Q61 Lord Blair of Boughton: I was just thinking, in terms of being taken out of context, of a quote from the TUC about sending children up chimneys as a competitive advantage. It was not in the letter, so that is okay. I am going to turn to immigration, if I can. As you know, that is one of the four key demands. Interestingly, when you look at President Tusk's letter, not unexpectedly, that is the one on which he starts to stick. Is immigration from the EU and its control a significant challenge for the European Union as a whole, or is it a uniquely British preoccupation? Could I ask the TUC to answer first, please?

Frances O'Grady: I would say that across the EU migration has become more of a discussion. Probably all of us are very conscious of the results from the regional elections in France. From our perspective, the extent to which migration has been framed, frankly, by the far right in some of these debates is extremely worrying. We believe, and the evidence supports this, that migration at a macro level is a positive thing. You can spell out the benefits to economies from migration, but our experience has been, although some quarters have denied this in the past, that we were certainly getting concerns raised with us from particular

industries, from food to construction, that employers were using migrant workers, very often on agency contracts—the two often went together—to undercut the rate for the job and conditions at work. Our response to that has always been that this needs to be a debate about why a minority of employers can use one group of workers to undercut another. It is not exclusive to migration. Throughout our history, women have been used and exploited; young people have been exploited. We have had internal migrants exploited by those bad employers. The answer, from our perspective, is, for sure, minimum wages, and, in fact, we would argue that that should be part of the debate about a new settlement, a new social bargain for Europe. It is also about collective bargaining. If—as many of us agree—people should be treated fairly, and there is a problem with inequality not just in terms of fairness but in the impact that is having on demands and, therefore, our opportunities for economic recovery and growth, it seems to me that collective bargaining is one key solution. That is not just me saying it; there is plenty of academic evidence out there showing that that is the case. Our solutions are somewhat different and we would be keen to, and do, work closely with others who want to put this debate on a new footing. Putting it from my own soundbite, the problem is not migrant workers—the problem is exploitation.

Lord Blair of Boughton: I will have to ask Mr Bagnall to respond to that.

Andy Bagnall: From the point of view of most businesses, it is worth setting out that free movement of people has been a positive benefit for the business community. That is true talking to our sister federations around Europe. I will not repeat the points about the French elections—the 2014 European elections—that there is a public concern in other member states as well as the UK, but certainly from the point of view of the business community free movement is a net benefit. It obviously allows businesses—many CBI members—to fill skill shortages that they otherwise would not be able to fill from the domestic labour market. Some industries, particularly those reliant on seasonal workforces such as agriculture and hospitality, benefit enormously, but other sectors such as the health and social care sectors, again, are very reliant on labour from other EU member states.

The ability to travel visa-free helps a number of pan-European CBI members operate on a seamless European basis—a European-wide management chain in some cases. Also, for service providers, that free movement of people allows the provision of services that are often dependent on the individual workforce themselves being able to move to deliver the service. From a CBI perspective, free movement is a net benefit.

We would acknowledge, though, some of the local issues. Frances touched on those. There are in some cases real and in some cases perceived pressures on public services, and, to bring

it back to your question, there is clearly a political question around perhaps some abuses of free movement related to the benefits system, which, as I said earlier, are not as directly business-facing, but we recognise the political imperative to address some of those. From a CBI perspective, free movement is a net positive.

Chris Cummings: I would make just two comments, if the Committee will allow me. First, my industry has always done terribly well from the free movement of people. We continue to see it as being a boon to the industry and something that adds great value to our ability to serve the wider UK economy. Last year, which was an average year for financial services, we contributed £66 billion in tax. We are a structural part of the real economy—our nation's leading taxpaying industry; so there is a benefit there. Secondly, our members are already reporting skills shortages. That is not the people at the top of the towers but people on every floor. My industry has taken a big step forward in recruiting people directly from school, CVs with no names and personal details on, in order to widen, to the ultimate extreme possible, the availability of jobs in financial and professional services across the whole of the UK. Migration is a way of helping us recruit the people that we need at every stage in their career.

The Chairman: Lord Trees, I think you had a comment on that and then Frances wants to come back.

Lord Trees: Thank you, Lord Chairman. We are a long way from motherhood and apple pie now. This is the nitty-gritty, really, is it not? I am very interested to look at the TUC's submission and your comments about this issue. Could I go further and pick out something you said? Could you elaborate on the concerns you express in your submission about the proposals for constraints on benefits? You suggested that these could represent the thin end of the wedge. Could you expand on that, please?

Frances O'Grady: Particularly on that point, there were suggestions that one way to get round some of the legal constraints on discrimination might be discriminating against local workers or workers based in Britain too—in particular, young workers. Of course, we have seen a series of attempts to reduce the in-work benefits. Most recently we have seen a shift on the working tax credits issue, but there have been consistent attempts, as we see it, to reduce the entitlements of people at work. That is what I meant by the thin end of the wedge. If the way round is to hit everybody, it seems to me that that will increase our desire to oppose it.

Apologies, Chairman. I did mean to add a couple of points on the migration issue. There needs to be an acknowledgement of those workers and communities who have concerns and how they can be fuelled by, for example, the lack of availability of sufficient social housing and the pressures on other public services. These are not made-up issues; they are real issues

to the people concerned. Again, the TUC has done a lot of work in this area because we are worried about those who will take advantage of those fears for their own purposes. What is very clear is that you can shift people's minds on the issue of migration if they believe and feel confident that their pay rates, their jobs and their communities will not suffer as a result. These are, of course, precisely very often the same people who are most sceptical about membership: blue-collar workers who are least likely to vote or least likely to vote yes in any forthcoming referendum. If people want to win them, they have to recognise that there have been real injuries. Yes, we have seen employers do very well out of it and, yes, it is great for the people who hire plumbers, but it may not be so great for the plumbers themselves. There are different experiences here and, from our perspective, the progressive way to tackle the source of these problems is by using some of the best and most flexible means we have, such as collective bargaining, living wages, decent strong rights and the protection of people.

There is one other point. Although I agree that there are other issues around skill shortages and so on, I would just put on record that the TUC welcomes the introduction of an apprenticeship levy, because we have had a long-running problem about employer investment in training, and that is one way forward. However, sadly, we regret the massive cuts we are seeing in support for adult learning and skills.

I promise not to go on, but there is just one final point, which I hope you will take in the spirit that it is given. As people will know, the TUC is opposing very strongly the Trade Union Bill that is currently going through Parliament. One of the key concerns is that it is proposed that the ban on the use of agency labour to substitute for striking workers, which has been in place for more than 40 years, should be lifted. I would just draw the Committee's attention to the fact that, where you have a coincidence of the use of agency labour, migrant labour, people being recruited, coming to a country perhaps not knowing the job they are being recruited to do or the situation they are being put in, that can lead to some very difficult situations outside real workplaces, making it much more difficult to do in the end what you always have to do at the end of a strike, which is do a deal. It will make it more difficult.

The Chairman: Thank you for the delicacy of those comments. We will pass on from them. I think Baroness Suttie had a point on migration that she wanted to add.

Baroness Suttie: It is really just a follow-up, if I may, to Mr Cummings on the skill shortages issue. Do you feel, in your industry, that full implementation of the benefits reform may cause further damage to your industry and may make the skill shortages situation worse?

Chris Cummings: It is an area on which we are in discussion with our members. In terms of pressing needs for skills, we have seen that our industry competes very hard to make sure that

we can bring in good people at all levels across the industry, and this is not just a London story. One of the questions a little earlier was whether these proposals are being driven by what is going on here in London. Our members report that they are noticing skills gaps across the whole of the UK, so we are very much in favour of helping to develop a stronger skills base across the whole of the country and continuing lifelong education as well, because that equips people to respond to the changing needs in the jobs market. It is an area of concern and something we are consulting members on.

Andy Bagnall: From the CBI's perspective, the important point is the preservation of the principle of free movement. We do think that is one of the four fundamental freedoms of the single market, but, like Chris, we would recognise and acknowledge the business role in upskilling an indigenous workforce. There does have to be a recognition of that responsibility as well as wishing to preserve free movement to ensure that the widest possible pool of talent is available for businesses to recruit from.

The Chairman: I think we might close that chapter of discussion by saying I suspect that some people on this side of the table would have a very strong commitment to your common interest in skills and upgrading the workforce, but we will leave that there for now. We have four other topics that we would like to tuck in, if we can. People, both in response and my colleagues, have been reasonably restrained; I think we are managing. I would like to ask Baroness Wilcox to ask her questions.

Q62 Baroness Wilcox: I shall be very restrained. It is two questions, so I do not care who goes first. How do you interpret the aspiration in the preamble to the EU treaties to the establishment of "an ever closer union among the peoples of Europe, in which decisions are taken as closely as possible to the citizen"? That is the first one. The second one is: how significant an impediment is this aspiration from the UK's perspective?

Owen Tudor: They are all looking at me. Do you ever get that feeling that everybody is turning your way? We do not really think that the issue is as important or as laden with meaning as the Government are saying at the moment. We think that the critical thing that people in Britain look to the European Union for is delivering on the objectives that they want to see delivered on. We think people feel that they have lost considerable control over their lives, whether they are at work or in their communities, over the last generation, and we recognise that that very often comes out in support for nationalism, not just in this country but across Europe. We think that the critical problems that have been caused to people have very often been the downsides of globalisation, and addressing that is the right way to deal with people's sense of lack of control over their lives and their communities. We would rather see

a European Union that was demonstrating to people that it was addressing the concerns about how far globalisation has affected their lives, rather than any specific concern in terms of the treaty language about what it says about ever closer union.

Andy Bagnall: From our perspective, I certainly think ever closer union does not necessarily either drive or prevent different levels of integration that work for different countries, and Donald Tusk's letter, in some ways, sets that out. I said earlier that there is a multisphere Europe, almost, already in existence, and certainly heading more in that direction. The UK, for example, has a number of significant opt-outs already from the Schengen area, and, of course, from the euro itself. Other countries—Spain for example—do not join the single EU patent proposals. There are different levels of integration for different countries. From our perspective though, we would acknowledge—referring earlier to our discussion around eurozone integration—the symbolic nature of that phrase. If the Prime Minister is able to clarify the point that it will mean different things for different countries, we would not consider that unhelpful.

Chris Cummings: From our perspective, the words in the preamble have become quite totemic, so revisiting them at this moment in time makes a huge amount of sense because it is a recognition of the multicurrency, multidirectional, multilevel Europe that we now see as the political reality across 28 European member states. It is a useful consideration to have at this moment, bearing in mind that Europe needs to clarify some of those outcomes that Owen mentioned. It also gives an opportunity for people to say what Europe does stand for, which for us is about the single market. As well as saying what the European Union is not heading towards, it is always useful to present a positive picture of where the EU 28 can be at their best, addressing some of the issues around the single market, the services directive or capital markets union. Things that are going to create jobs in Europe make the conversation much more practical, to encourage people to engage with it simply at a human level.

Q63 Lord Whitty: I am going to ask about democracy—both democracy of the European institutions and what someone once called the Big Society. The Government talk about the democratic deficits or democratic legitimacy, and they refer to the enhanced role for national parliaments, which is also very specifically underlined in TheCityUK's evidence. It is not just that the Prime Minister wants to get out of ever closer union: Ministers have frequently asserted that there is no European demos that could form the basis of genuinely democratic pan-European institutions. Could we have your view on that? Perhaps, as a rider, I would specifically ask the TUC what you mean in your written statement when you state that the

role of civil society is a key element of its democratic accountability and legitimacy in this context.

Chris Cummings: As you rightly say, in our response we highlighted the role of national parliaments, because it seems to us and our members that, in addressing any perceived democratic deficit in Europe, the parliaments of European member states have a more leading role to play. I would like to pay testament to the work of the House of Lords and to this Committee and your colleagues for your engagement in the European project and reviews that you undertake. What we would like to see are more resources, more time and more scrutiny being given to proposals that come from Brussels. Sometimes they quite often emanate from the UK but go to Brussels, and then seem to come from Brussels. Having more engaged parliamentarians across Europe would help in the democratic issues that we have discussed. There are gatherings of parliaments. We would like to see those take place more often and be given more resources. The points I make are around not only proportionality of proposals that come from Brussels but subsidiarity, to make sure that Europe is big on the big things and small on the small things. The role of subsidiarity is of increasing importance, certainly to the business community and to my members, just to make sure that decision-making can be taken as close to individuals as possible. I might pause there.

Frances O'Grady: I suspect that Lord Whitty might be aware that, coming from the TUC, I sometimes feel sympathy for any organisation that always gets blamed for the bad stuff and never gets credit for the good stuff it does. Clearly, there is a European Parliament, which I do not think has been mentioned yet, and I think it is actually quite important.

Lord Whitty: And so do I.

Frances O'Grady: I would share some of those thoughts about our responsibility to ensure that those who represent us, whether through the Council, the Commission or the Parliament, are subject to scrutiny and accountability. There is a lot more that we could be doing without needing that to come from anywhere else—more that we could be doing, for example, for the House of Commons to take a more active role in keeping under the spotlight what our representatives do in Brussels and on what mandates.

In terms of the TUC's submission, we want to highlight the view, which I hope we would all share, that civic society, of which trade unions are a very important part, has a key role in guaranteeing democracy and freedom. This is not just a matter of parliaments; it is also about a lively and vibrant, sometimes awkward but absolutely essential, civic society. I would add that, in the current climate, maybe the role that the trade union movement plays and has always played, but sometimes quietly, might come to the fore. I think we have an incredibly

important role in building bridges between communities, often between different national, racial, religious communities and faith communities, and across borders, through our institutions like the ETUC. That is an important part of the life of democracy that is not always in the spotlight but is absolutely essential to its health.

Andy Bagnall: In the interests of brevity I will not repeat some of the points made. Our position is very similar to the one Chris set out. There is a role for national parliaments. Perhaps just one particular angle is worth repeating: the support for this House and the other place in liaising with other national parliaments to make the current system of yellow card procedure work more effectively. The reason why national parliament engagement is so important is that the media tends to follow the national parliament agenda, particularly in the UK, perhaps more than it does the European Parliament agenda, and perhaps, as a way of making some of the debates and discussions at the European level more meaningful, greater engagement at the UK parliamentary level would drive that. Other than that, I would broadly agree with what Chris was saying.

The Chairman: We have two more questions.

Q64 Lord Tugendhat: We have reached a stage now, in the negotiations, where there is probably so much happening behind closed doors and beneath the surface that it is very difficult for outsiders to form a view, but you all have links to your opposite numbers in other member states. I was wondering what your sense is of how the equivalent organisations in Brussels and the other member states see the present situation.

Andy Bagnall: I am happy to go first on this one. Certainly, we are in regular communication, as you say, with the equivalent CBIs in other member states: BDI in Germany, Confindustria in Italy, and so forth. At least in regard to the overlap that I alluded to earlier between the CBI as the representative for the business community's reform agenda on economic governance and competitiveness—the part that is obviously echoed in the Prime Minister's letter—there is broad support among our sister federations for that drive towards competitiveness that we talked about earlier, and a recognition again, echoing some of the points made previously, that there is a legitimate question around the balance between those inside the eurozone and countries like the UK that are outside it. There is broad support for the bits of the Prime Minister's reform agenda that are most business-facing, from the visits we have done over a long period to other member state sister federations, and a broad recognition that some of that agenda is moving forward.

Lord Tugendhat: Do you think they think that we will be in or out?

Andy Bagnall: On the specific question, I would not want to guess at their views or predictions on it. I think that they would share the view that there is a space for solutions to the kind of the issues that the Prime Minister is raising, that the CBI would raise on behalf of the business community in driving greater competitiveness and getting that balance right in terms of the currency and those outside it.

Chris Cummings: We are in very regular contact with our colleagues in other European member states. There are 11 million people who work in financial services in other European member states. The thing that strikes me time and again is how much attention they pay to the UK media. I was recently in Italy, speaking at a conference where an Italian think tank was presenting its view of Brexit issues. It was a very thoughtful paper; I would commend it. The clear message that came through there was that there were very good business economic reasons for the UK to stay as an active and engaged member of the European Union, but there is a world of difference in the sentiment occasionally driven by the media and a worry that a few days before the referendum issues may arise that provoke a false positive or false negative reading that influences the outcome of the referendum. When I am in other European member states, people regularly ask me, “How can we participate? Would it be right for us to participate? How can we show that it is in the interests of other European member states to keep the UK as a member? How could that conversation take place?”

Frances O’Grady: Clearly, we have contacts through the ETUC, with 60 million workers represented across the piece. Also, sometimes through our sister unions and sometimes directly, we have contact with Governments and with officials. There are concerns about the delicacy of the—

Lord Tugendhat: I am sorry?

Frances O’Grady: About this process. Maybe I meet more cynical people than others, but there has been a concern about the extent to which the renegotiation is about substantive issues versus the extent to which it is primarily driven by party management concerns. That is freely discussed in the circles in which I have contacts. There are concerns that, as a tactic, the renegotiation risks fuelling those who are Eurosceptic by playing to some of their issues. The risk is that, if you feed a monster, it is never satisfied. There are those sorts of views expressed. In general terms, there is a very strong sense that people want the UK to remain in Europe but not at any price, not if it means fundamentally destabilising the founding principles—the very foundations of the EU. I have not been asked to do this, but if I was asked to give the Prime Minister any advice it would be, “Be very, very careful about not overplaying your hand”.

Lord Tugendhat: Could I just press you on that? I am sure you are right about “not at any price”, but to what extent do you think they have given thought to the consequences for the EU of Britain voting to come out? What is happening now is manageable, but if we embark on a negotiation for withdrawal and the new relationship, and the impact that will have on the position of other member states—and, indeed, the potential for unravelling other things—to what extent do you think they have looked over that precipice?

Frances O’Grady: I think they have, and that is why we have heard comments and concerns expressed about the impact of continuing uncertainty on stability and so on; so that is there. There is also an awareness, which I very much hope is shared here, about the impact this could have on the fabric of the UK. There is a good deal of attention on Scotland, perhaps to a lesser degree on Wales. I personally believe there should be an awful lot more concentration on the impact on Northern Ireland, where I believe, without being dramatic about it, a Brexit could have a very detrimental impact on the peace process, in my personal view. There are big stakes all round, and, as to getting into games about who blinks first, I personally feel that the stakes are too high for too much game-playing.

As I say, everybody has to be careful not to overplay their hands, and when wise advice is given—for example, on the four-year qualification for benefits issue—that is the advice it would make sense to listen to very carefully before codifying that in a statement and then making it much harder to come back. Again, my sense is that people are looking for solutions and looking to help, but quite rightly not at the price of those principles and not in a way that then encourages every other member of the club to seek to write their own rules, which we may not be that happy with. From a TUC perspective, with some experience of trying to develop consensus and resolve difficult issues, sometimes it is a good idea for everybody to step back gently a little.

The Chairman: If I might just say, this Committee is visiting the constituent parts of the UK, and we have recently had a very instructive set of sessions in Belfast.

Frances O’Grady: Good.

The Chairman: I was going to ask Lord Davies to ask the final question, but as we are running short of time, if he will forgive me, perhaps I can just add this to call for a brief comment from the three of you. You touched on this, I think, once, Frances; it is the question of the European Parliament. They have certain locus, not least in passing legislation if we achieve amendments, or, of course, if we were to leave, in negotiating the terms of our departure—our withdrawal. Do you have any sense in which the role of the European Parliament has been taken sufficiently into account?

Chris Cummings: I am quite happy to lead on this. Colleagues and I make frequent trips to Brussels to meet with Members of the European Parliament. I suppose this answer plays to the previous question, because it is often pointed out to me that the UK is not alone in seeking to reform the European Union. Obviously, the Dutch have long-established and very clear reform proposals, as do many German MEPs to whom I speak. There is also a sense in Germany, France, Italy and Spain of notions of how the European Union could work so much better. So I find the conversations I have with MEPs on European reform very instructive. What we often try to do is make sure that those policy ideas are being put through to our own Government, if only to make sure that they fully understand where potential allies can be found, because, as you rightly say, this is going to be a process where alliances need to be built in order that a solution good for Europe can be established.

Andy Bagnall: I have just two very quick points. Like TheCityUK, the CBI regularly engages with MEPs, both UK MEPs and any of the committee chairs and others from other member states. So, from our perspective, we recognise that they might play a very important part in the renegotiation process, depending on the exact nature of what comes out of that, but legislative solutions are almost certain to involve the Parliament. In the media debate that is playing out around the renegotiation, I would say that that probably is an underdeveloped aspect of comment, but those intimately involved are alive to the fact that the MEPs have an important role in the legislative process, which may be an important part of that renegotiation.

Owen Tudor: One of the problems with the British Government's relationship with the European Union generally is that they see themselves too often as an outsider, rather than as one of the 28 member states that is engaging. That is true also of the European Parliament where, without wanting to intrude on private grief, there are problems with the governing party's relationships with the rest of the bits of the European Parliament in terms of membership of the groups and so on. I am often asked by our colleagues in the European trade union movement, "Why do the British think they are exceptional?" The only way in which the British often think they are exceptional is in thinking that they are the only exceptional ones in this. It will be much better if they engage. It will be more efficient, apart from anything else, if they engaged more as part of a group rather than as a separate entity.

The Chairman: We will reflect on that piece of philosophy. In thanking the witnesses, can I remind them, first, that we will send you a transcript for any corrections? Secondly, one or two—if not commitments—indications of further correspondence were mentioned. I notice from the TUC some attitudes to workers and what is fairness, and some work you have done on the assimilation of migration issues; from TheCityUK, a perspective on trade negotiations;

and the CBI can join in on those or any other issues. Please feel that this is a living dialogue rather than one that is merely concluded tonight. I would also like to say that there were some brief references to the role of national parliaments, and it has been a continuing interest of this Committee to get upstream and to have the engagement at an earlier stage. That is why your presence tonight has been particularly valuable. I will close the session by saying that we are very grateful to you as a Committee and it seems to me that the fact that the tone was so constructive is matched only by the fact that the content was so informative, so we are very grateful. Thank you.