EU MEMBERSHIP:
WORKPLACE RIGHTS,
CONSUMER PROTECTION
AND LEGAL SAFEGUARDS

The Scotland Institute
80 Berkeley Street, Glasgow, G3 7DS, United Kingdom
T: 0141 354 1602 | F: 0141 354 1603 | www.scotlandinstitute.com
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About the Scotland Institute

The Scotland Institute is a progressive and independent think tank set up to deal with the changing face of Scotland. It aims to investigate the implications of devolution while finding innovative solutions to the old problems of social exclusion, and to encourage Scotland’s competitiveness in the global market. Through high-quality comprehensive research and policy making it hopes to put Scotland on a path towards a more competitive, progressive, and optimistic future.

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Voltaire
Introduction

This report is a contribution to the debate on the UK’s membership of the EU. Unfortunately, so far much of this debate has been framed as an argument between parts of the British Conservative Party and UKIP with a focus on increasingly implausible economic forecasts, a growingly intolerant debate about migration and an incoherent set of claims about ‘regaining sovereignty’ from an autocratic (sometimes described as being akin to a totalitarian) superstate (of either Nazi or Soviet heritage). Lost in this is much focus on the vital advantages to the great majority of the population in the UK from a range of rights that have been created or enhanced due to our membership of the EU.

To the Conservative right (whether otherwise pro or anti-Europe), regulation of employment and the market place is usually inherently wrong. The concept of ‘red-tape’ holding back a dynamic British business sector is well entrenched, and, to both sides in the Conservative Party, the EU is a major source of this red-tape. This of course sits badly with the OECD view that the UK has the least regulated labour market in the EU and the second lowest level of consumer protection. This reality has not stopped prominent campaigners for the UK to leave the EU such as Nigel Lawson claiming:

“...The morass of EU regulation, much of which is costly, unnecessary and undesirable, would become UK regulation, which we would then be free to accept, repeal or amend as our national interest requires”

One of the other major supporters of the UK leaving the EU are UKIP. Their 2015 manifesto also identified a clear goal to dismantle key workplace protections such as:

“Scrap EU directives which restrict the British economy and go against our work ethos. Cut the massive burden of EU red tape Some EU directives, such as the Working Time Directive, need amending because they actively restrict the British work ethos and therefore our economy”

Let us be clear, British workers already work the longest hours in the EU, are among the lowest paid and least productive. This combination is not accidental, low pay, low protection and abusive short term contracts are major reasons why UK productivity has started to lag so badly since the start of the financial crisis in 2007.

More generally the arguments from the right about over-regulation are fundamentally wrong. The one hundred most expensive regulations cost the UK economy £27.4bn each year, whereas the benefits total £57.1bn, according to UK government impact assessments. Some individual regulations appear particularly costly, such as the Agency Workers Directive, which has a net cost of over £500m each year but this underestimates the benefits to the wider economy of higher wages and more employment.

Before looking at the issues in depth it is worth noting some fundamentals. In the main EU law tries to set minimum standards for workplace and consumer protection, it almost never has stopped a state developing more protection. The few instances where this has happened are usually where the proposals were deemed to undermine the single market (in effect using regulation as a form of protectionism). Thus the current weaknesses for UK workers and consumers are the result of policy decisions by various Conservative, New Labour and Coalition governments over the last 40 years. Now, of course, post the UK leaving the EU it is open to a UK wide government to enact stricter workplace and consumer protection than currently exists. However, this is not the policy focus of the bulk of

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8 Global Counsel 2015. BREXIT:the impact on the UK and the EU. Global Counsel.
the politicians pushing for exit\textsuperscript{9}. They talk simply of burdens on business and how the labour market needs less, not more, regulation\textsuperscript{10}.

The second wider issue is the interaction between EU and UK law since the early 1970s. In some areas, the two have been combined with no real change – UK law already matched what was expected – or a push from the EU was accepted into UK law with no debate (much of the legislation around product safety standards fits this category). However, some important rights were forced on a reluctant UK government, as, for example, when the New Labour administration fought against improving the rights of workers on short term or temporary contracts\textsuperscript{11}. In general this suggests that disentangling EU and UK law would be very complex\textsuperscript{12} - unless the goal was simply to eliminate most social protection that benefits the bulk of the UK population.

There is a final gain for the bulk of the citizens of the UK. Being in the EU brings additional legal rights of redress in case of discrimination or unfair treatment. The Court of Justice of the European Union\textsuperscript{13} (CJEU) is important as it has been the means by which groups of workers have managed to gain equal pay or improved protections often in opposition to the UK Government. Since the CJEU is an EU institution this right would be lost, even if, at least in theory, individuals could still go to the European Court of Human Rights (an entity that has no connection to the EU although the current Conservative administration is seeking to leave its jurisdiction).

This matters profoundly due to flaws in the UK system of governance. At the UK level, very few governments are formed with a majority of the popular vote (even if our electoral system provides them with a significant majority). The parliaments in Scotland and Wales are both unicameral (there is no secondary revising chamber) and whilst both are effective in using an electoral system that translates the ratio of votes cast to representation, both can (and have) produce single party

\textsuperscript{11} TUC 2016. Workers’ Rights from Europe: The Impact of Brexit. London: TUC.
governments. Having an external redress is sometimes very important to offset the tendency of the UK political process to give too much power to parties with less than majority public support – however inconvenient it may be for policy makers.

None of this is to argue that the EU is perfect. In particular, the EU is increasingly adopting an approach to business regulation that mirrors the UK right rather than Europe’s Social and Christian democratic traditions. Thus the CJEU has intervened to stop unions organising industrial action in cross-border disputes, and in some Eurozone countries the Commission has actively undermined sector-wide collective bargaining agreements\(^\text{14}\). Frans Timmermans\(^\text{15}\), the current commissioner in charge of business regulations has declared that his approach will not include new social or environmental laws. He stated: “It is not polite to slag off previous Commission’s work, but our Better Regulation is focussed. We are here to lessen the burden on small and medium-sized companies, nothing else.”

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14 TUC 2012. UK employment rights and the EU. London: TUC.
Workplace Protection

Before looking at what gains UK workers have had from the EU, it is useful to be clear just what the supporters of the UK leaving really want. They are quite clear that a UK outside the EU will be one of lower wages, less workplace protection and the removal of many of the current laws against discrimination on the basis of age, gender, ethnicity and disability\(^\text{16}\). Thus from the 2015 UKIP manifesto:

“Working hours should be agreed between employers and employees; wages and salaries will tend to adjust to provide adequate compensation.” It would “put an end to most legislation” concerning weekly working hours, holidays, overtime, redundancy and sick pay\(^\text{17}\)”

In addition, UKIP have proposals to end most legislation regarding matters such as weekly working hours, holidays. They also propose to reduce the scope of Industrial Tribunals so that no-one with less than two years continuous employment would be able to take a case for unfair dismissal or discrimination. This is not just the proposals of a fringe party, these policies are widely shared among those in the Conservative party who are most vocal in wanting the UK to leave the EU\(^\text{18}\).

The only practical consequence of this will be a massive increase in job insecurity and low pay. In turn, as we are already finding, productivity will decrease leading to lower standards of living for us all.

As in the introduction, the impact of the EU treaty provisions and directives on the UK is complex. In some places EU legislation mirrors what the UK already had in place, in others EU legislation has improved on the rights in UK legislation and in some the EU has forced a reluctant UK Government to adjust its behaviour\(^\text{19}\). If we ignore the wilder goals of UKIP and the Conservative right for a post-EU future, it is this final group that is probably most immediately at risk. Recently, UK Governments have resisted equal treatment rights for agency workers, working time limits, and rights for workers to receive information and be consulted on changes in their workplace that could affect their jobs or terms and conditions. The Government would inevitably face pressure from employers’ associations to


\(^{17}\) UKIP 2015. Manifesto. Newton Abbot: UKIP.


repeal or amend some of the more controversial EU-derived employment laws, such as the Working Time Regulations 1998 and Agency Worker Regulations 2010.

When the Working Time Directive was implemented in the UK in 1998, it introduced a maximum 48-hour working week (normally averaged over 17 weeks), a daily rest period of 11 consecutive hours, a weekly rest period of 24 consecutive hours and rest breaks during the working day. Although UK workers could opt-out of the maximum working time limit, the introduction of these rights reduced the number of people working excessive hours in the UK. There are now 700,000 fewer employees working more than 48 hours a week compared to 1998\textsuperscript{20}. In particular, the directive has led to a substantial reduction in the hours that NHS staff are expected to work – something that has been an annoyance to various Governments since.

The Directive also gave UK workers a statutory right to paid annual leave for the first time. This resulted in 6 million workers gaining improved entitlements to paid annual leave, two million of whom previously had no paid annual leave entitlement (many of these were part-time women workers). This amounts to a significant financial transfer (in the form of pay) from employers to predominantly low-paid women workers.

The legislation has been supported by a series of CJEU judgements. Originally the 48 hours did not include periods when a worker was expected to be present but on-call (typical of people doing emergency work). Care wardens working for the London Borough of Harrow, won an important case when they no longer had to be on site for 113 hours a week as this included 76 hours a week ‘on call’. The CJEU argued that due to the nature of their employment, time spent ‘on-call’ was effectively work (as they had no choice but to be on the employer’s premises) and should be counted as part of the working week.

The rights of UK workers not on full time permanent employment contracts have been significantly enhanced by EU law and directives. CJEU interpretation of the existing UK anti-discrimination laws meant that many of the distinctions between part time and full time staff (holidays, pay and wider conditions) have been eliminated. The Fixed Term Employee Regulations have improved conditions for staff on temporary contracts. In particular, this has helped those in the charitable and educational sectors who were often working permanently for the same employer but on a sequence of short term contracts. This has led to improved job security, access to redundancy rights when a contract ends and the ability to

\textsuperscript{20} TUC 2012. UK employment rights and the EU. London: TUC.
join occupational pension schemes\textsuperscript{21}. The recent Agency Workers Regulations have also made some impact in terms of pay and working conditions for the many people now only indirectly employed by their organisation. However, full implementation is being held up as some member states have negotiated an opt-out from the requirement that an agency worker be treated as an employee by the agency (and thus entitled to pay between assignments).

EU laws have also forced the UK Government to improve the statutory rights when an employer is considering redundancies. The Acquired Rights Directive and the Collective Redundancies Directive have both led to major changes in the management of this process and forced active consultation between management and employees to ensure that restructuring takes place in way that is as humane as possible, avoids disputes and leads to less damaging effects on local and regional economies. The TUC argues that the application of these laws were one reason why unemployment did not rise too high after the 2008/9 recession as private sector employers worked with unions to find ways of avoiding mass redundancies and retaining skilled staff\textsuperscript{22}.

Another direct gain for British workers is the right to a written contract. An EU directive has created the situation where all direct employees must be given a clear statement of their pay, hours and leave entitlements within 28 days. This helps limit the scope of bad employers to create abusive, possibly, illegal working conditions. However, at the moment employees on zero hours contracts are excluded due to a lack of structured employment. The UK Government has overseen an explosion in the number of zero hours contracts since 2008\textsuperscript{23}, the EU has recently announced it will review the relevant Directive to include staff on zero hours contracts and agency workers to ensure they receive a formal statement of pay rates and likely hours of work. In itself, this is not enough to end the problems caused by such abusive contracts but is indicative of where British workers can expect more support via the EU than from the UK Government.

Another important gain from EU legislation is better protection when employees are transferred to a new employer (common under privatisation or mergers). Important protections\textsuperscript{24} were introduced into UK law in 2006 (and updated in 2014).

\begin{thebibliography}{9}
\bibitem{21} TUC 2016. Workers’ Rights from Europe: The Impact of Brexit. London: TUC.
\bibitem{22} TUC 2012. UK employment rights and the EU. London: TUC.
\end{thebibliography}
as the Transfer of Undertakings (TUPE). These help protect terms and conditions of employment and pension rights. Of importance they are derived from the EU Directive in 2001\(^{25}\) and were only introduced into UK rule after lengthy delays by the then Labour Government.

In summary, withdrawal from the EU would allow for change to the following areas of employment law, which stem largely from Europe: annual leave, agency worker rights, part-time worker rights, fixed-term worker rights, collective redundancy, paternity, maternity and parental leave, protection of employment upon the transfer of a business and anti-discrimination legislation\(^{26}\). There is no reason at all to believe that the current UK Government would seek to make changes that improved workplace rights in any of these areas. All the evidence suggests that those proposing the UK leaves the EU intend to weaken all the gains that have come from over 40 years of EU membership. This matters as the information in this section indicates a number of important rights that have only been introduced after EU pressure on the UK Government.

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Consumer Rights

The interaction between EU law and UK law in terms of consumer protection is slightly more complex than in the case of workplace rights. Overall the situation is similar with many EU laws embedded into UK legislation and the main impact is that the UK promotes similar safety and product standards as other EU member states.

The principle difference is while there are only a few instances where EU regulations have forced a member state to reduce workers’ rights this does happen in terms of consumers. The key area of contention is if the EU Commission believes a member state is bringing in new laws not for reasons of consumer protection but as an indirect barrier to trade. Perhaps more than in the case of labour rights, the EU's twin commitments to consumer protection and free trade can come into conflict. A typical example of this was the decision to block the Scottish Government’s proposals for minimum alcohol prices. In this context there is a danger that generic community laws will prevent the development of more effective national legislation.

Where EU laws and protections really benefit UK consumers is in terms of e-commerce and shopping outside the UK. So far the UK Government has opposed key changes but the central goal is to protect the consumer regardless of either where they live or the supplier is based. Unfortunately the EU approach has set up a situation where VAT is paid at the rate set by the location of the consumer not the supplier. UK sellers have the choice of registering in each EU country or with a central EU database. In this case there is no doubt the rules are complex and a burden for small suppliers but UK firm’s would have to comply with them regardless of whether the UK is a member of the EU or not.

However, normally EU intervention has worked in the favour of UK consumers. Thus the recent elimination of excess charges for using a mobile phone in another country is an EU initiative. If the UK was to leave the EU, there is no guarantee that this would continue to apply to UK residents. More widely, UK citizens would not gain from any future consumer protection initiatives. In addition, consumers would probably lose out on Europe-wide benefits such as the Health Insurance Card, the Europe-wide mobile tariff agreements, and freedom to travel, reside and receive benefits in other EU countries.\textsuperscript{34}

Legal Protections

As noted in the discussion about employment rights, the EU brings an important layer of legal protection. The European Court of Justice (ECJ or CJEU) has played a critical role in interpreting EU directives and provides redress for citizens who feel their own state is failing to implement key protections. The result for UK workers has been important gains in terms of the rights of Agency Workers, Care Workers (especially in terms of whether being on call at the employer premise counts as working hours), maternity pay and other rights.

Unlike the EHCR, the ECJ is an EU institution and if the UK opts to leave then UK citizens lose the right to its protections. This matters as all too often the UK Government has been slow to implement improved workplace rights and has only done so after adverse judgements. If we take account of the commonly expressed view by UKIP, the conservative right and, all too often, senior labour politicians that the UK economy is held back by red tape, then we can have little doubt that a UK exit will be used as an excuse to strip away employment, consumer and environmental protections at the same time as UK citizens have lost a valuable source of legal redress.

36 Global Counsel 2015. BREXIT:the impact on the UK and the EU. Global Counsel.
Conclusions

The assumption that the UK economy is over-regulated, primarily due to pressure from the EU, is a standard argument of those in favour of exit\textsuperscript{37}. However, this is simply not true. The OECD identifies the UK as the second least regulated product market after the Netherlands. Labour market regulation is comparable with the US, Canada and Australia and is much lower than the norm in other EU countries. For good or ill, EU regulation has not altered the underlying approach to workplace rights and consumer protection adopted by all UK Governments since 1979. Ironically the OECD argues that the most heavily regulated areas in the UK, which does damage productivity, is the system for obtaining planning permission, which has nothing to do with the EU\textsuperscript{38}.

Equally if the UK left the EU, but sought to remain in the EEA (ie to retain access to the single market) then a precondition would be meet all existing consumer protection regulations. In some cases, UK firms will want the UK to remain compliant with EU regulations, for example in the field of intellectual property rights and copyright protection\textsuperscript{39}. Other areas where the simplest option may be to seek to keep UK law close to the EU norm is in fields such as data protection, which is becoming increasingly important as data is stored in various places, not just in the country where it originates and is primarily used.

This all points to the problems of disentangling UK and EU law in the case of a UK exit. The claims by some that this can be done simply repealing the European Communities Act 1972 would lead to “legal and commercial chaos”\textsuperscript{40}. So while there is no doubt that most of those arguing for the UK to leave the EU intend to use this to commence a systematic assault on workplace and consumer rights, the reality is that this will need to be on the basis of one law at a time. In terms of worker’s rights, the most likely initial targets would be rights to properly-paid holidays, protections for agency workers, health and safety protections, and protections from some forms of employer discrimination – such as compensation

\textsuperscript{38} Global Counsel 2015. BREXIT:the impact on the UK and the EU. Global Counsel.
\textsuperscript{40} TUC 2016. Workers’ Rights from Europe: The Impact of Brexit. London: TUC.
rates, and protections for pregnant workers and older workers. The impact on most people in the UK will be devastating and to achieve this the UK Parliament will have to spend years legislating to destroy key protections.


Global Counsel 2015. BREXIT: the impact on the UK and the EU. Global Counsel.


TUC 2012. UK employment rights and the EU. London: TUC.

