

PCG Policy Briefing: Services Directive

PCG Position

PCG supports the aim of the proposed directive to create a free market in services. This will create many new opportunities for the UK's uniquely dynamic body of freelance consultants and contractors. PCG is confident that they will rise to the competitive challenge that will result from this newly open market.

It has long been considered desirable for UK contractors to be able to supply services throughout the EU via their limited companies and the country of origin principle seems to be a good way of facilitating this. PCG would therefore support its inclusion, or the inclusion of a similar arrangement, in the directive.

The directive and UK freelancing

PCG's members are knowledge-based workers, and therefore providers of services. The UK's model of freelancing is uniquely strong: it has created a highly skilled, highly flexible and highly mobile workforce. Any measure that enhances UK freelancing will therefore enhance the competitiveness of the UK as a whole.

The development of this model across the EU, which some evidence suggests is already gathering pace, will similarly enhance the competitiveness of the EU in line with the goals of the Lisbon Strategy. Similarly, PCG observes that the UK, which has much freer and more flexible market conditions than some other EU member states, has been more competitive and economically successful than many of these member states in recent years. This directive will have the effect of removing these highly restrictive regulatory regimes, which PCG is confident will enhance the EU's competitiveness. It will also give UK contractors access to other member states' markets which will be comparable to the ease with which other member states' contractors can currently work in the UK.

A further consequence of a streamlining of regulations should be that even companies who do not export their services will benefit from a more effective regulatory framework. Another effect of the directive should be that, assuming it takes place on an economically level playing field, increased competition will enhance the productivity and efficiency of service providers. This is also to be welcomed.

The directive and agencies

The directive may also apply to the recruitment agencies through which most freelancers seek work. Under the country of origin principle, it seems likely that agencies from other member states would begin to operate within the UK market. This should have the effect of increasing the choice available to freelancers and, by competition, enhancing the standards of agencies. This is to be welcomed, although the corollary of this is that the possibility is increased of poor agencies providing poor services to freelancers; the danger is that they would have no effective means of redress, as pursuing a grievance via the authorities in another member state has obvious potential to be difficult. PCG hopes that co-operation between governments will be sufficient to mitigate these problems, should they arise, and feels, on the whole, that the benefits in this regard are likely to outweigh any disadvantages.

Comments on specific aspects of the directive

There are a few specific aspects of the directive which PCG would like to see considered further or with which we would be keen to have further involvement.

- Insurance: it seems sensible that providers of services with associated health and safety risks should be obliged to provide professional liability insurance; PCG hopes that this will not be extended to all providers as a form of licensing tariff.
- Provision of information: the burden on businesses of the requirements in the Commission's proposals to provide information tends towards the onerous; the deletion of requirements 1c and 1g in Article 26 would be a good start towards reducing this, and further deletions could probably be usefully made.
- Single points of contact: PCG would like to be involved in establishing this within the UK, as it is vitally important that the needs of freelancers are not overlooked.
- Quality standards: PCG acknowledges the importance of independent certification and other forms of quality assurance. PCG's own PCG(QS) scheme is the only scheme currently available which allows small businesses to obtain full ISO9001 certification for a little more than £1000, a fraction of the usual cost. This pioneering scheme should have a vital role to play in implementing Article 31 of the Directive.
- To receive the benefits of this directive, UK freelancers are reliant on its implementation by other member states. PCG would like to know how the government intends to ensure that other member states will implement the measure fully and properly.
- While PCG welcomes competition in an open services market, it must be fair competition: cost of living differences between the UK and other member states may render UK contractors vulnerable to under-cutting for reasons that are nothing to do with the quality of the services they provide. PCG would like there to be sufficient leeway in the directive for member states to correct instances where the market is being not so much opened up as distorted.
- Impact assessment: PCG is concerned that the impact assessment carried out so far by the Commission does not address the question of the directive's impact sufficiently and instead examines the current situation. We would like to see a fuller assessment carried out, particularly on the question of whether cost of living differences risk distorting the newly-opened market.