



January 2010
AK Position Paper

Consultation on the future EU 2020 Strategy

About us

The Federal Chamber of Labour is by law representing the interests of about 3.2 million employees and consumers in Austria. It acts for the interests of its members in fields of social-, educational-, economical-, and consumer issues both on the national and on the EU-level in Brussels. Furthermore the Austrian Federal Chamber of Labour is a part of the Austrian social partnership.

The AK EUROPA office in Brussels was established in 1991 to bring forward the interests of all its members directly vis-à-vis the European Institutions.

Organisation and Tasks of the Austrian Federal Chamber of Labour

The Austrian Federal Chamber of Labour is the umbrella organisation of the nine regional Chambers of Labour in Austria, which have together the statutory mandate to represent the interests of their members.

The Chambers of Labour provide their members a broad range of services, including for instance advice on matters of labour law, consumer rights, social insurance and educational matters.

More than three quarters of the 2 million member-consultations carried out each year concern labour-, social insurance- and insolvency law. Furthermore the Austrian Federal Chamber of Labour makes use of its vested right to state its opinion in the legislation process of the European Union and in Austria in order to shape the interests of the employees and consumers towards the legislator.

All Austrian employees are subject to compulsory membership. The member fee is determined by law and is amounting to 0.5% of the members' gross wages or salaries (up to the social security payroll tax cap maximum). 560.000 – amongst others unemployed, persons on maternity (paternity) leave, community- and military service – of the 3.2 million members are exempt from subscription payment, but are entitled to all services provided by the Austrian Federal Chambers of Labour.

Herbert Tumpel
President

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Director

The AK position in detail

AK comments as follows on the public consultation document of the Commission on the future EU 2020 strategy:

1. General points

The EU 2020 strategy follows the current Lisbon strategy, which according to the Commission has contributed to overcoming the current crisis. A bold claim that does not stand up to reality. Even before the outbreak of the worst financial and economic crisis, the EU had been far away from many Lisbon targets. The recession made the target date of 2010 completely unrealistic. The Commission itself writes in its Employment Report from November 2009 that the rate of unemployment will rise to over 10 % by 2010 and that the growth of the past years has been wiped out again. Therefore, from the point of view of AK it is necessary to reorganize the strategy to ensure that the balance will be positive in 2020.

New strategic target

We welcome the strategic target, which is moving away from the earlier euphemistic fighting rhetoric (strongest economic area in the world!) and which basically complies with the new target, which has been jointly pro-

posed by the Austrian social partners¹. According to this, the new strategy is supposed "to turn Europe into a leading, competitive, flourishing and networked economic area, which presents itself more environmentally friendly and more integrative than before, which shows fast and sustainable growth and which stands for a high degree of employment and for social progress". This is progress indeed. What, however, is missing is the commitment to full employment and the reference to the necessity of quantitative goals in order to underpin the new strategic objective target. The Austrian social partners propose in their joint statement, to maintain the aims of the current Lisbon strategy and to implement these as soon as possible, however by 2015 at the latest. The period between 2015 and 2020 should focus on ambitious goals. New targets, in particular with regard to fighting poverty, should also be considered.

¹ The social partners worded this in their post-Lisbon Paper from April 2009 as follows: "It is the aim to make Europe a dynamic knowledge-based economic area, which reconciles high competitiveness with full employment, social security and sustainable development". The Lisbon strategy after 2010. Position Paper of the Austrian social partners. Vienna, April 2009.

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Is a change from the Structural reform discourse on the horizon?

It is a well known fact that the Lisbon strategy has been focussing on structural reforms in all policy areas right from the start. Surprisingly, however, the term "structural reform" is only mentioned on the penultimate page of the Commission Paper. "Comprehensive structural reforms have to be carried out in order to increase the economic potential; a "tighter structural reform agenda" is required. The question is what lies behind this. Over the past years the term has been justifiably fallen into disrepute on the employee side. All the structural reforms of the old Lisbon strategy have not prevented that full brakes were applied on the labour markets during the course of the recession. It is high time that a debate is held about the meaningfulness of structural reforms. The Commission writes that "investments and structural reforms, which should lead to a more intelligent, networked and more ecological economy, generate greater yields and facilitate the consolidation of public finances". We are not principally against this but it should be made clear that the issue does no longer primarily concern further structural reforms, which focus on more flexibility on the labour markets. Even the Commission admits that these are by now flexible and dynamic enough: Each year, between a fifth and a quarter of all European employees are changing their job². As has been made clear by the recession,

² Employment Report of the Commission, November 2009

economic policy must free itself from its fixation of the supply side of the labour market. Even US economists admit that "the current recession is driven by a collapse of demand and that it has little to do with the great power of the trade unions, rigid wages, too generous unemployment benefits or similar problems on the supply side"³. The probably most important structural reform today would be a fundamental reorganisation of the financial markets, which would subordinate them again to the real economy and makes the creation of bubbles impossible. The labour markets should now focus on the quality of the work. These include, as demanded by the Austrian social partners in their post-Lisbon Paper: good working conditions such as worker's participation and collective representation of interest, fair wages, equal opportunities for women and men, health and safety protection at work, family-friendly work practices as well as the promotion of lifelong learning and continuing vocational training.

Social dimension underexposed

The Lisbon strategy has not succeeded in reducing the poverty rates. The extent of child poverty is a scandal: every fifth child within the EU-27 is poor. Although the EU has declared 2010 as the European Year for Combating Poverty and Social Exclusion, the Commission has failed to come up with concrete proposals in particular in this area. From our point of view, the EU 2020 strategy must more than before focus on combating poverty.

³ Handelsblatt, 10.11.2009

The consultation document claims that a job is the best protection against poverty and exclusion. However - and that is new - the Commission does also admit that having a job alone is not the answer to reduce poverty or to ensure social integration. What is missing here is a clear commitment to provide more and better jobs (which also include measures against the increasing precarious situation in the working world) and to secure fair wages. These are the decisive conditions to prevent permanent social exclusion and to provide an effective stabilisation of the economy. In this context, the strengthening of social security systems is also of enormous importance.

Concrete targets are also very important. From our point of view these are a condition for any seriously pursued combating poverty strategy, because they enable an evaluation of both measures and policies. The Austrian social partners too, support in their joint statement the fixing of European targets for combating poverty. The current Lisbon strategy has not specified any targets, whether for reducing the average poverty level in the EU nor for lowering the rates of poverty of certain population groups. Apart from that, there is a complete lack of targets, which aim at the long-term eradication of poverty based on the equal distribution of income.

In this context, we refer to the objectives of the European Parliament in the Resolution of 9th October 2008 to promote social integration and to combat

poverty, including child poverty, in the EU, among others:

- objectives to reduce the poverty rates;
- the target to reduce child poverty by 50 % by 2012;
- the target to overcome homelessness (of children and adults) by 2015;
- new targets with regard to sufficient income to avoid poverty and social exclusion etc.

The EU 2020 strategy should in any case be a motor to improve the European social model, which the European Council of Barcelona 2002 has described as follows: "The European social model is based on good economic performances, a high level of social protection, a high level of education and training and social dialogue". EU documents repeatedly also describe public services as a key element of this model, which from our point of view are an important instrument to guarantee social and territorial coherence. Nevertheless we have been confronted for years with far reaching liberalisation steps, which are persistently demanded by the European Commission. What we need is a legal framework within the EU that protects public services and puts an end to legal uncertainty. It has to be ensured that the people in Europe are provided with affordable and non-discriminatory access to high quality public services (in particular water, energy, communication, Transport, health- und social services).

AK criticises that there is a lack of targets, which aim at the long-term eradication of poverty based on the equal distribution of income.

AK underlines that a fair distribution of income and assets have to be guaranteed.

New growth and distribution model necessary to strengthen endogenous forces for growth

The Commission several times mentions “new sources of growth”, which it among others attributes to a more efficient use of resources, to international trade, an active industrial policy etc. But its proposal does not go far enough. It ignores the fact that we are witnesses of a radical change in the global economy: the USA in her capacity as global consumer (“consumers of last resort”) will no longer be able to play the same role as in the past. Europe – and that comes from the IMF (!) – “can no longer solely rely on exports to drive the recovery of the economy forward. A continuation of the recovery rests in particular on the shoulders of European consumers and investments”. This requires from our point of view a permanent strengthening of the domestic demand by an intelligent interpretation of the Stability and Growth Pact (SGP), which increases the budgetary scope for future investments and the return of a wage policy, which is based on productivity. We refer to the statement of the European Economy and Social Committee on necessary employment policy measures during the current financial market and economic crisis from June 2009, which says: “The EECS has already commented earlier that a wage policy, which fulfils the double role of wages in the economy, has a central role in dealing with the crisis. Companies will only invest and create jobs when they can expect sufficient demand. In this context, the

EECS rejects in particular also in times of a massive economic downturn all proposals to promote employment through wage restraint and the reduction of wage”. At the same time a fair distribution of income and assets have to be guaranteed. The conditions of the SGP should not act as an obstacle when it comes to using future public investments in research, education, environment etc to create the potential for future growth. Insofar, from our point of view the approach “Support of growth through full utilisation of the Stability and Growth Pact” chosen by the Commission is a contradiction. What we really need is a new orientation of the European macroeconomic policy within the meaning of the joint statement of the Austrian social partners.

Greening the economy as growth motor

The creation of a greener economy rightly belongs to the central objective targets of the EU 2020 Agenda. During this period, Europe must make the change to create a resource and more energy efficient economy and consumption model. Apart from that, the International Energy Agency is already warning of a new crisis, whose extent could be even worse as the global oil production capacities are falling. Because of the low oil price, the oil companies are investing far too little in new development projects; at the same time, due to the economic crisis, the investments in renewable energies are being reduced. This will pose a risk when the recession has been

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overcome and the oil price is on the increase again. In addition, the warnings that the global oil production will reach its peak with regard to conventional oil (the time when the production decreases) in some years became more frequent.

The United Nations demand a "Global Green Deal": 25 % of the economic measures should be "green" measures. These include energy efficiency, thermal rehabilitation remediation, environmentally friendly mobility etc. The Kiel Institute for the World Economy has compared the worldwide economic support programmes within the meaning of a Green Deal. The "green share" of economic support programmes in the EU currently lies at 13 %. That is not enough.

What we urgently need is a kind of green Keynesianism resp. a "Green Deal", i.e. a Europe-wide coordinated public investment offensive for the greening of the economy and for dealing with the climate change. We need measures to increase energy and resource efficiency. The increase of efficiency, which must become one of the main pillars of European energy policy, is equally connected with decoupling economic growth from resource consumption. Also important is an extension of public investments in renewable energies, climate protection (development of district heating, heat insulation, making public transport more attractive, infrastructure/rail etc) as well as Research & Development (eco innovations). This creates jobs, at the same time helping us to

reduce our dependence on fossil energy sources.

It would nevertheless be wrong to expect solving the employment crisis through an ecological structural change within the meaning of "green" jobs. The Commission itself writes in its 2009 Employment in Europe Report that a policy to reduce carbon emissions will become an important motor for changing employment structures within the EU; the impact on the overall employment level, however, will be limited. Additional growth potentials for more employment, in particular in the areas of health, education and care must be used. Intelligent measures for a better distribution of work as contribution to reduce unemployment should be considered. Education is also in need of improvement.

In connection with the ecological structural change, we would like to remind of the White Paper "Growth, Competitiveness, Employment - Challenges of the Present and Ways into the 21st Century" presented by the then Commission President Jacques Delors, in which among others a new development model was demanded for the Union. Delors criticised that the Union had for decades pursued a model of economic development, which is characterized by an insufficient use of work resources (high unemployment) and an excessive use of natural resources (no decoupling of economic growth and resource consumption). The causes are well known and documented by a number of studies: the increasing taxation of human work has steered

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technical progress primarily in the direction of work productivity – with the consequence, that fewer and fewer workers produce more and more (whereby among others also financing the systems of social security are coming increasingly under pressure). In contrast, the consumption of energy and other natural resources increased practically parallel with the Gross Domestic Product. This trend must be reversed by intelligent measures (e.g. by an ecological tax reform). The necessary greening of the economic system, however, must not result in the fact that the distribution imbalance in European societies continues to get worse. The opposite is the case: whilst access to natural resources must be burdened by the factor ‘Capital’, duties and taxes of the factor ‘Work and low incomes’ have to be reduced.

Opening up new sources of finance for the EU 2020 Agenda

The Member States carry the budgetary main burden both with respect to the European economic support programme for overcoming the recession and implementing the future EU 2020 Agenda. In view of the tense situation of public households it will be inevitable to develop new sources of revenue. We regard a general review of the tax systems as appropriate, whereby issues concerning the distribution fairness between different kinds of income and assets have to be taken into account. At the same time, a contribution should be demanded from those who benefited from the undesirable developments on the financial markets, which must now be corrected

with public means at the expense of the taxpayer. We are therefore clearly coming out in favour of introducing a financial transaction tax. This would not only have a stabilising effect and correspond to the causative principle, but would also contribute to financing the costs of the crisis and therefore take the pressure of public finances. We take a critical view of Public Private Partnerships, which the consultation document describes as a new financing model.

Apart from that, the EU 2020 Agenda must be combined with a fundamental reform of the EU budget. The EU budget is still focussing on agriculture and “competition-oriented”. In contrast, the social dimension of the European Union is hardly considered in the EU budget. The European Social Fund, for example, as the most important part of EU social policy, has been allocated less than 8 percent of the entire EU budget. In view of the rising unemployment in Europe in the wake of the financial crisis, it would be appropriate to review the setting of priorities within the EU budget. The AK demands more financial resources for employees in the next financial period (2014+).

2. Comments on individual parts of the Consultation document

ad) Recognising constraints and facing new challenges (page 3)

With regard to realising the vision for 2020, the Commission requests an appropriate restriction of public expenses and indicates that cuts in

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future-oriented sectors such as education and research should not be made. In our opinion, apart from education and research no savings should be made with regard to social expenditure. It would be disastrous to make cuts in the areas of health, pensions or the social security network in times of crisis. What gives cause for concern is the observation that the issue of health is hardly mentioned in the entire statement, given the fact that the health sector is a topic of increasing importance and also a potential employment motor.

The dramatic warning that because of the decrease of the share of young people in the overall population a "drastic reduction of potential growth" had to be expected by 2020 is not really comprehensible. Surely, Europe has to face the demographic challenge. The central approach for handling this challenge is – as also indicated by the Commission – a policy, which creates "more and better jobs" and reduces unemployment. At the same time, more must be invested into general education and vocational training. Also important are – as the Austrian social partners include in their joint statement – measures, which target a better reconciliation between professional and family-life. This enables a higher participation of women in the labour market, results in higher birth rates and reduces the risk of poverty.

The Commission also wants to use the Consultation Paper to gain opinions how among others social and ter-

ritorial coherence can be guaranteed. From our point of view, with regard to developing a new vision and terms of a new direction for the EU policy, the wide range of social challenges within an expanded European Union have to take centre stage. The post-Lisbon strategy must increasingly contain social components, whose implementation must also be reflected in European structural funds. That means that the political priorities of the post-Lisbon strategy – as already mentioned – have to be brought in line with the reform of the Financial Forecast 2014+.

ad) Key Priorities of the EU for 2020 (page 4)

It has to be added here that a fair distribution of wealth and assets must also be guaranteed. A positive vision of Europe must include the expectation that all Europeans get a fair share of the increased prosperity and that the large discrepancies between the Member States will be balanced.

Europe as a peace project is undisputed. This must also serve as a model for organising the economy: non-ruinous location and system competition among the Member States is the key to a successful Europe. It is the task of the EU to counteract this prisoner dilemma by setting standards in the social, environmental and the occupational health and safety sector. A concrete example would be that the European Union supports an increase of the net replacement rates in case of unemployment in the Member States. But a negative tax reduction race and

regulation arbitrage in the financial market sector can only be prevented by intergovernmental cooperation with the help of the EU.

ad) Creating value by basing growth on knowledge (page 5)

AK welcomes the fact that great importance is attached to education. In particular the realisation that imbalances and poverty can be most effectively combated by strengthening education. The demands on the impact of the education system have not become smaller in comparison to the Lisbon strategy – actually the opposite is the case. Optimism, however, would be premature if one considers that the five benchmarks set in the previous programme “Education and Training 2010” were to a large extent not achieved. The share of 15-year olds across the EU with reading difficulties even rose from 21.30 % in 2000 to 24.10 % in 2006.

Concrete targets remain a necessity, also in the education sector. It is also important to differentiate between general education and vocational training. Because it is the vocational training, which among others directly focuses on sustainable employability, which will not lose any of its significance, even after the current crisis. In Austria alone, 80 % of young people decide to join one of the different initial training systems. The continuous training of adults is gaining in significance worldwide. training and the continuation of the Copenhagen Process to improve the cooperation in training in

Europe deserve increased attention and support.

Knowledge is rightly “the motor for sustainable growth. Education, research, innovation and creativity have a commanding position in a rapidly changing world” (page 5). We remain with the metaphor to remind of the fact that a well functioning “motor” needs sufficient “fuel”. What we mean in the case of general education and vocational training is the financing, which for the current programme period (2007 to 2013) overall amounts to less than one percent of the entire EU budget. We are of the opinion that in order to make significant progress with regard to the targets envisaged the next budget phase must allocate several times that amount, which was the original proposal of the EU Commission for the current budget.

ad) Empowering people in inclusive societies (page 7)

With respect to this priority, the Commission relies on a comprehensive Flexicurity Concept, on qualification and lifelong learning and the promotion of self-employment. This should become a “real option for those who recently lost their jobs”. We are very critical of this proposal. Unemployed persons normally do not have the adequate financial resources and knowledge to earn their living on this basis in the long run. As a result, precarious employment situations are regularly created, which often end in bankruptcy. This certainly does not create full employment – a target, which

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by the way, is not mentioned once in the entire Paper. The same applies to the gender equality policy, better reconciliation between professional and family-life (child care), the particularly dramatic youth employment and the still low employment rate of older employees.

In any case, the focus should be on the promotion of employment and sustainable labour market integration, coupled with corresponding (re)training and further education measures to counteract social exclusion and poverty.

Apart from the necessary combating of unemployment and the creation of more and better jobs the reconciliation of work life and private life has to be guaranteed on the one hand; whereby on the other hand the demographic change and problems in the area of migration have to be met by growth and employment. What is also important is the promotion of an active and consequent gender equality policy between men and women.

ad) Creating a competitive, connected and greener economy (page 8)

The greening of the economy by new industries and by restructuring the existing industrial sectors are among the conditions to make sure that Europe has a future. Important from our point of view – in the light of climate change and diminishing raw materials – the clear target: wealth growth in combination with significantly reduced consumption of resources.

With regard to concrete measures in the area of transport infrastructure it is not enough to refer to a “better integration of transport networks” and the “development of alternatives to road transport”: After years of massive EU investments in road infrastructure (in particular in Eastern Europe) the development of the railway has collapsed in many areas. Faced with such a situation, it is not sufficient to just offer alternatives. A new direction is needed for all transport sectors. The existing and planned transport infrastructure of the EU for example has to be examined with regard to its impact on climate and sustainability and adjusted and the health protection of the population has to be given priority over the free movement of goods.

Apart from that, comprehensive availability of high quality and affordable public transport must be ensured. This can only be achieved by an appropriate transport policy and not by exaggerated liberalisation, for example in the rail sector. Basically, the transport policy cannot be separated from the economic, environmental and social policy; in addition, it must include regional planning, the complete internalisation of external costs, the safeguarding of quality jobs and supply criteria.

At several occasions, the Paper rightly points out that the crisis and the consequences of the crisis will lead to a range of different adjustment processes and capacity reductions in the producing sector. Apart from its current key points, the industrial policy of the Union is of course required to develop

measures and to emphasise the importance of sustainability, innovation and qualification. Particularly important, however, during the next years will be the socially acceptable form of structural change. It has to be welcomed that this is also regarded as a responsibility of industrial policy. Of course this concerns growth impulses, competition, framework conditions etc. However, this will also concern in particular innovative measures and ideas, as to how shrinking processes can be made socially acceptable or slowed down to secure jobs without losing competitiveness.

ad) Making it happen: starting with a successful exit from the crisis (page 10)

The demands for access to credit and for an effective supervision of the financial markets have to be supported. It is therefore very regrettable that during the course of the real legislative process the original proposals on the System of Financial Supervisors are more and more watered down. This shows how important it is that within the scope of the post-Lisbon strategy the text on the issue of financial markets is more detailed and precise. It must be the aim to reduce financial markets to their actual and important role in the overall economic cycle again instead of dominating the real economy by means of speculation, enormous trade volumes and colossal yield expectations. The European economy is not only dependent on a well functioning credit market. Only a stable development of exchange rates and stock prices, raw material prices,

interest rates etc, as well as containing the continuously simmering danger of yet another crisis can create trust for future investments. To achieve this, one needs comprehensive regulation as well as a significantly stronger supervision. This must be based on a democratisation of the financial markets, for example through a social dialogue, which includes trade unions at all levels.

Ad) Fully exploiting the single market (page 11)

The single Market is a central pillar of European integration and a place of constant change and further development. The Commission writes in its Communication "A single Market for the Citizens" (2007): "The single Market shall promote economic growth and create a competitive open Europe with lively markets and healthy trade relations, where the targets of solidarity, full employment, universal access to services of general interest, high social and environmental standards and high future investments in research and education can be achieved". The Commission has based its model on the concept that the realisation of fundamental freedoms of the single Market automatically results in social progress. This does not correspond to the real development, which is often characterized by a mutual "race to the bottom" between the Member States in the social and tax area. The future single Market policy must therefore target a better balance between the economic, social and ecological dimension.

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ad) Setting EU 2020 in a global context (page 11)

The Commission in particular emphasises the necessity of developing global trade further. "Thereby particular emphasis should be placed on the access to the market, to energy and to raw materials as well as on progress with respect to environmental and social targets" In particular the second part of the sentence must be taken very seriously. A minimum requirement is the inclusion of the ILO Core Labour Standards in international trade agreements. The objective is the consideration of the Agenda for decent jobs of ILO. Apart from that this concerns a comprehensive regulation of the financial markets and the orientation of the international institutions (IMF, World Bank, FSF) towards their future role in the global economic system. The following statement of the final declaration of the G20 summit in London should become the mission statement for the international EU strategy: "We start from the belief that prosperity is indivisible; that growth, to be sustained, has to be shared; and that our global plan for recovery must have at its heart the needs and jobs of hard-working families, not just in developed countries but in emerging markets and the poorest countries of the world too (...)"

The future 2020 EU Strategy must be a success. The population will not accept another decade of great targets and promises, which will only partly be achieved and kept. The European Council must create the necessary conditions by March 2010. In order to enable a more intensive debate on the future strategy, we could imagine postponing the decision – as already demanded by various sides – for some months.

The overall objective must be to make Europe a Social Union.

Finally the overall objective must be to make Europe a place of wealth and social development, i.e. a Social Union. This would be the best qualification for the EU to also become an international role model.



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