



Governance framework for the budgetary instrument for convergence and competitiveness

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Executive summary

The **AK firmly rejects** the proposal for a regulation for a governance framework for the budgetary instrument for convergence and competitiveness for the following reasons:

- Already the basis of the governance framework, the European Semester, is to be criticised in itself. The **country-specific recommendations** represent a series of demands which, in many cases, appear to be **arbitrary, objectively unjustified, socially unbalanced and at any rate run counter to the social objectives** enshrined in the EU Treaties or a wealth-oriented policy. This is shown by earlier recommendations of the Commission where, for example, decentralisation

of the collective agreement systems or an increase in the general legal retirement age was recommended.

- The **decision-making procedure** to determine measures identified as worth supporting is **highly questionable from a democratic perspective** and is therefore clearly rejected by the AK. The European Parliament can only debate such matters but has no power of co-decision. The social partners are not at all included in the decision.

The AK's position in detail

In its new proposal, the European Commission is proposing a governance framework for the budgetary instrument for convergence and competitiveness for the euro area.

As AK has already stated in its opinion on the EU's Multiannual Financial Framework for 2021-2027 of 12.09.2018, the proposal for a governance framework for the budgetary instrument for convergence and competitiveness for the euro area is firmly to be rejected.

The aims of the Commission's proposal

Article 3 of the proposed regulation states that its aim is to contribute to the convergence and competitiveness of the economies of the Member States. To this end, a governance framework relevant for the planned budgetary instrument is to be determined.

However, the foundation of the governance framework itself, namely the current structure of the European Semester, must be rejected as unsuitable. The country-specific recommendations are a sequence of

demands which, in many cases, appear to be arbitrary, factually unjustified and, moreover, unbalanced in social terms. Moreover, they run contrary to the social aims or a policy to promote prosperity as enshrined in the EU treaties. This is shown by earlier recommendations of the Commission where, for example, decentralisation of the collective bargaining systems or an increase in the general legal retirement age – which was contrary to its own empirical calculations – was recommended. AK is therefore calling for a reorientation of the European Semester, based on the so-called magic polygon for a prosperity-oriented economic policy.

In the meantime, the country-specific recommendations, upon which the so-called country-specific guidelines are supposed to be based, affect almost half of the areas of social affairs, employment, education, equality, health, long-term care, pensions, poverty and social exclusion. There is a risk that the implementation of these recommendations could run counter to a policy intended to promote prosperity. In particular, the erroneous understanding of “competitiveness” points in this direction. In this regard, AK fears that, as in the past, a warning might be issued against a necessary increase in (minimum) wages or that the decentralisation of collective agreement systems could be driven forward. At any event, similarities to the systematic method tested through Memoranda of Understanding during the financial crisis on those Member States affected particularly severely by the crisis can be discerned.

It is nearly impossible to identify from this proposed regulation which specific measures should ultimately be supported. Due to the current architecture and orientation of the European Semester, negative “reforms” could threaten workers at any moment. It is neither sensible nor acceptable that the EU budget, which ultimately is funded predominantly by European workers, should be used to support reforms that could lead to a reduction of protection standards for workers.

Procedure for establishing country-specific guidelines contradicts democratic policy requirements

Furthermore, the procedure for determining which specific measures should be classified as worth supporting is highly problematic. In accordance with Article 5, the Council shall adopt a corresponding recommendation, following a recommendation from the Commission. However, only the representatives of the Member States in the euro area will participate in the Council. This means the procedure runs counter to the “new push for European democracy” announced by the designated President of the Commission, Ursula von der Leyen: There are no plans for the European Parliament and the social partners to be involved directly in the decision-making process to determine which reforms are worth supporting. The European Parliament has merely been granted the right to be heard under Article 8. The social partners have not been granted any power of co-decision, even though the reforms could directly impact their members.

In the opinion of AK, this procedure contradicts democratic policy requirements and should therefore be strictly rejected.

Additional bureaucracy

Last but not least, the proposed regulation is extremely bureaucratic. The decision on country-specific guidelines at the EU level, as well as application for and later processing of aid at the level of Member States, means considerable and unnecessary additional bureaucracy, the added value of which is not discernible.

Conclusions

AK therefore clearly rejects the proposed regulation for a governance framework for the budgetary instrument for convergence and competitiveness in the euro area for the reasons set out above.



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About us

The Austrian Federal Chamber of Labour (AK) is by law representing the interests of about 3.8 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 Austrian Federal Chamber of Labour is registered at the EU Transparency Register under the number 23869471911-54.

The main objectives of the 1991 established AK EUROPA Office in Brussels are the representation of AK vis-à-vis the European Institutions and interest groups, the monitoring of EU policies and to transfer relevant information from Brussels to Austria, as well as to lobby the in Austria developed expertise and positions of the Austrian Federal Chamber of Labour in Brussels.