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AK Position Paper

EU 2020 Strategy Europe 2020 Integrated Guidelines

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

Executive Summary

In spite of the apparent stabilisation of the economy, it will take some time for the financial and economic crisis to be over.

The Europe 2020 Integrated Guidelines, presented by the Commission, will for years determine important policy areas at both European and national level. Their concrete scope and content is therefore of central importance for the success of the EU 2020 Strategy.

In spite of the apparent stabilisation of the economy, it will take some time for the financial and economic crisis to be over. There are concerns that Europe will be faced with a longer period of stagnation if the attempt to establish a new growth model, which is based on endogenous forces of growth and the same time gives due consideration to social and ecological challenges, fails.

The Integrated Guidelines will cover a period, during which the global economy will undergo far-reaching changes. The USA in her capacity as a global economic locomotive will no longer be able to play the same role as in the past. The warning from the IMF in October 2009, that Europe, due to the clearly reduced demand of American consumers (which Asia would not be able to make up for in spite of increased imports), would have to expect weak growth also in the long-term seems more and more likely. Basically, the IMF too demands a new growth model by stating: "Thus, continuation of the recovery rests squarely on the shoulders of European consumers and investors."

Strengthening the endogenous forces of growth is therefore one of the key challenges, which also has to be reflected in the Integrated Guidelines. This means in concrete terms: strengthening of domestic demand and future investments. The criteria of the Stability and Growth Pact must not be an obstacle when it comes to creating the potential for future growth by future public investments in research, education, social infrastructure etc. The budget policy must be aimed at high employment, distributive justice and growth. There is sufficient potential for intelligent investments. The Austrian social partners demand among others a "European Green New Deal", which creates additional jobs, promotes innovations and saves costs (e.g. by lower oil imports) based on intelligent investments (for example in the area of renewable energies).

A considerable deficit of the present Draft of the Integrated Guidelines is the fact that the necessity of intelligent demand policy has hardly been addressed. This should be considered in respect of the proposals on budget consolidation, on spending and on wage policy. What is also lacking is a clear commitment to restructuring the financial markets, which will exclude the creation of system-threatening speculative bubbles in future and place the financial markets within the real economy. This issue has been comple-

tely ignored in the Guidelines, as has been the necessity to commit the financial markets to contribute to the costs of dealing with the crisis.

Distributive justice too has once again not been explicitly mentioned. From our point of view, this concerns the right of employees to fair remuneration resp. participation in generated wealth. The unequal distribution, however, must also be addressed, as it was a substantial structural factor, which leads to the financial and economic crisis.

There is also little reference to gender equality policy and the promotion of women respectively. Overcoming the discrimination of women in the labour market must be a component of any strategy to solve current problems as this is also expressed in the Equal Opportunity Report of the European Commission from 2009: "Gender equality is not only a question of diversity and social fairness, it is also a precondition for meeting the objectives of sustainable growth, employment, competitiveness and social cohesion. Investing in gender equality policies pays off in terms of higher female employment rates, women's contribution to GDP, tax revenues and sustainable fertility rates. It is important that gender equality continues to be a core element of the EU 2020 strategy, because equality between women and men has proven to be a sustainable solution to old and new challenges. Gender equality policies should therefore be considered as a long-term investment and not as a short-term cost."

The AK position in detail

In view of unemployment reaching a record high with 24 million people in the EU out of a job, combating unemployment must be a primary concern resp. a concrete target of the EU.

ad) Guideline 1: Ensuring the quality and the sustainability of public finances

In view of unemployment reaching a record high with 24 million people in the EU out of a job, combating unemployment must be a primary concern resp. a concrete target of the EU. In this context, "exit strategy" resp. consolidation plans should only be agreed if certain economic or employment requirements are met.

In our opinion, Guideline 1 focuses too much on the budget consolidation path (in particular on the "structural" deficit). Completely underrated among others are (again) consumption and economy boosting effects of so-called "automatic stabilizers", for example with regard to unemployment or pension insurance. They represent reliable constants for preserving purchasing power and stabilising consumption expenditure of private households in particular in periods of economic downturn or low economic growth. Especially in view of the fact that growth prognoses are only very cautious and uncertain, these consolidation recommendations appear to be exaggerated and counterproductive from both a social and a growth policy aspect.

Instead of reducing social expenditure in the wider sense, it would, on the contrary, even require to expand the

existing social security insurance, to develop a comprehensive range of educational and care facilities etc., which represent a basic requirement for technological, structural and social change. The framework conditions, however, are currently not in place to provide in particular a better reconciliation between professional and family-life and associated with that a higher employment rate. To postpone these long overdue future investments would be a fatal mistake.

Against this background and in view of the extent of the crisis, the Guideline should from our point of view – according to the Commission, it should remain largely unchanged until 2014 in any case – not specify a concrete date for starting the consolidation. Instead, the word "timely" should be added and the reduction in unemployment should be referred to as a suitable indicator.

The following sentence should be added at the end of the first paragraph: ***"In doing so, the effect of automatic stabilisers must be no more put at risk as must be the necessary investments in the development of the social infrastructure."***

When listing the growth boosting expenditure items in the second paragraph, the fight against poverty resp. securing social cohesion and the de-

velopment of the social services should be added.

The growth friendly structure of the tax system should be supplemented as follows: "... by shifting for example the tax burden from the factor 'work' to environmentally harmful activities **as well as wealth and profit related taxes.**" This would also include the Finance Transaction Tax. Tax fraud too should also be addressed, because further budgetary discharge can be achieved by tackling tax fraud. The EU loses about estimated 200 to 250 billion Euros per year to tax fraud, tax evasion and tax avoidance; this is after all 1.6 % of the GDP of the EU 27. According to a statement by former EU Commissioner László Kovács on 6th October 2009 before the Economics Committee of the European Parliament, the loss due to VAT fraud alone is estimated at 60-70 billion Euros per year.

ad) Guideline 2: Addressing macroeconomic imbalances

It is important to address the removal of macroeconomic imbalances. The concrete wording of the Guideline is, however, potentially dangerous within the sense of an intricate request to continue passing on any pressure to employees. What is problematic here is the wording with regard to wage policy, which could be interpreted as a hidden call for wage restraint.

We therefore suggest the following:

- Macroeconomic imbalances also result from the unequal distribu-

tion of income and wealth; this should be referred to.

- The role of social partners in wage policy should be strengthened. At the same time, it should be clearly stated that a wage policy, which is oriented towards productivity development, is necessary in all Member States. It should also include a statement on establishing poverty-avoiding minimum wages.
- The second paragraph should be amended as follows: the **financial** and stock markets.
- Reference to financial markets should be made at the end of the paragraph, for example by the including the following sentence: **"Apart from that, the Union and the Member States, by prudent and target-oriented regulation, will pay attention to the fact that the real economy will not be affected by speculative bubbles and imbalances on the financial markets."**

ad) Guideline 3: Reducing imbalances in the euro area

Positive is the fact that here the "model pupils" are asked to remove "structural obstacles" for private consumption. Although this is somewhat mysteriously worded, it is to be welcomed if it concerns a fair participation of employees in generated wealth. This should be specified in more detail.

In connection with the consolidation and the imbalances in the Eurozone,

we refer to an interesting study of the Macroeconomic Policy Institute (IMK). The study arrives at the conclusion that an alternative strategy – based on the compensation of structural imbalances through a weaker consolidation in the surplus countries and a stronger pan-European demand orientation – would not only be positive for growth, employment and income of the workforce, but would probably also be the only chance to rescue the Monetary Union.

ad) Guideline 6: Improving the business and consumer environment and modernising the industrial base

The Guideline once again cites the classic arguments, which aim at the “Blessings for Competition”. As from our point of view, significant aspects for the future single market policy are being ignored and particular the social dimension is completely underexposed, we suggest the following changes and amendments respectively:

- Attention has to be paid to the fact that services, which are of general economic interest, are made available on a social, democratic, environmentally friendly and high quality basis at affordable prices. Where applicable, these have to be excluded from the general rules of the single market.
- As the current crisis shows, an open market economy can only then be retained on a long-term

basis, if it has been embedded into a social dimension. Because the single market is not a target in itself but a means of achieving social progress. This is guaranteed by a high degree of worker, consumer and environmental protection targeting full employment. The single market policy in the coming years must therefore put the fight against social and wage dumping at the centre and help fundamental social rights to become established. It is necessary to end the unfair competition for the lowest protection and control standards. This does not only benefit employees and consumers, but also European business: on the basis of increasingly unified standards in the areas of labour, social issues, consumer protection and the environment, competition is shifting to innovation, creativity and sustainable development.

- In case of improving the business environment, it has to be ensured that this has no negative impact on employees and consumers. The reference to the “Initiative for smaller and medium businesses in Europe” should be deleted.
- It has to be ensured that worker participation and creditor protection are not undermined by new company forms. Strict measures have to be taken against letterbox companies, which move their seat into another Member State for the sole reason of saving tax or to adopt lower regulation standards.

As the current crisis shows, an open market economy can only then be retained on a long-term basis, if it has been embedded into a social dimension.

- The principles, which characterize public procurement of open markets, transparency and effective competition, should be strengthened by social and environmental policy award criteria. Apart from that, public procurement should offer innovation incentives.

ad) Guideline 7: Increasing labour market participation and reducing structural unemployment

The EU target of increasing the employment rate of 20 to 64-year old women and men to 75 % by the year 2020 is fundamentally worth supporting, however, there is a lack of further targets. Although the third paragraph mentions increasing the employment rates, in particular with regard to young people, older workers and women, no concrete targets, however, have been planned at European level. From our point of view, this means a significant weakening of the European approach.

We also miss the commitment to the target of full employment and propose the following wording, which can be based on a conclusion of the European Council: ***“Full employment in der European Union is the centre piece of the EU 2020 Strategy and the main target of economic and social policy; to achieve this, more and better job have to be created”***.

In the first paragraph, which refers to „... adequate social security systems to secure professional transitions“ it should be made clear that this con-

cerns the cushioning of social costs of professional transitions and not only incentives for actively seeking work. The part of the sentence from „... accompanied by clear rights and responsibilities for the unemployed“ should therefore be deleted resp. the message should clearly be that the activation to find employment should above all be guaranteed by making effective services of the labour market facilities available and less through so-called “incentives” with regard to unemployment benefits.

The second paragraph should explicitly mention measures to reduce the gender specific segmentation of the labour market, i.e. measures against the dominance of women in low paid jobs (e.g. through gender sensible job orientation, promoting training in non-traditional jobs) and to improve the professional position of women (e.g. in-house career promotion of women, promoting women to managerial positions) should be demanded.

The third paragraph should not only refer to the necessity of creating affordable care facilities to increase the employment rates of women, but also to the fact that is concerns the creation of high quality care facilities and the participation of fathers in childcare should be promoted. Good childcare is one of the most important measures for the equal treatment of women and men. With the Barcelona targets aiming at a care rate of 33 % for under 3-year olds and a care rate of 90 % for children between 3 and school entrance age, the EU specified

AK stands for a Europe-wide coordinated policy of reducing working hours.

concrete targets until 2010. However, 18 of the 27 EU Member States have not yet reached the target set for infants and 17 states are lagging behind with regard to providing sufficient kindergarten places. Monitoring the achievement of these targets should also continue in future. Using EU funds for developing a high-quality childcare infrastructure should also be suggested. For example, regional funds and the Agricultural Fund could make money available for developing the infrastructure. Personnel could be promoted through the ESF.

It would also be important not only to refer to the necessity of implementing measures to achieve equal remuneration but also to suggest target-oriented measures such as income reports: as the best practice example Sweden shows, reports on the income situation of women and men at company level are a good instrument for more transparency. They help to disclose and balance unjustified wage differences. These reports do not only serve to gather facts, they also set in motion a process of discussion among the persons responsible.

Apart from that, we miss any reference to structuring working times in the Guideline. For example the reduction of excessive overtime work (in Austria alone, unpaid overtime hours are equivalent to up to 60,000 full time jobs) as instrument for the better distribution of the labour volume as well as the necessity of a general reduction of working hours. In particular the crisis has shown that a reduction of working

hours can prevent a massive increase in unemployment. Two arguments speak for a Europe-wide coordinated policy of reducing working hours: firstly, it will take a long time until the economic pre-crisis level has been achieved again. Secondly, technical progress will also not stand still during this period. Faced with the choice, either fewer employed people or fewer working hours per employee, Europe should come out in favour of the latter option. We therefore propose the following wording: ***“In order to increase labour participation, intelligent measures should also be examined with regard to a better distribution of work.”***

ad) Guideline 8: Developing a skilled workforce responding to labour market needs, promoting job quality and lifelong learning

Overall, the issue of „job quality“ in this Guideline is more than underexposed: no statements on decent work, fair income or health protection. However, in particular these aspects are of central importance for a balanced flexicurity strategy and essential elements of a policy that wants to help realise flexible and responsive internal und external labour markets.

From our point of view, the aspect of promoting the health of employees (be it during their employment or during periods of unemployment) and the internal reintegration of employees after long absences because of ill health or following professional rehabilitation because of massive health

impairments (which does not mean anything else but being in the middle of a professional life and having to start again with newly learned skills) is very important. Currently no such references have been made.

It is also important to include measures against any gender specific segmentation with regard to accessing high quality vocational or continuous training (e.g. by measures of a gender sensible vocational training and job orientation). This should also be considered in the case of "Guideline 9: Improving the performance of education and training systems at all levels and increasing participation in tertiary education".

ad) Guideline 10: Promoting social inclusion and combating poverty

AK expressly welcomes a separate Guideline on promoting social inclusion and combating poverty. In view of the current social development, which is characterised by increasing unemployment, impoverishment and care deficiencies of social benefit systems on the one hand and by social changes in partner relationships and family structures on the other, hence resulting in considerable consequences for material and social participation opportunities, it needs appropriate instruments to counteract this phenomenon or at least to cushion the consequences for the persons affected.

A clearer passage on integrating persons with migration background into society and labour market as an

important issue for guaranteeing social coherence within the EU would be desirable. This concerns much more than guaranteeing income security in professional transition situations. It should also be pointed out that the growing group of the "working poor" is also in need of special attention.

An ambitious EU target is sensible, in particular as especially in this sector an enormous need for action exists in most EU states. That means for Austria that currently has ca. 1.2 million persons at risk of poverty - in agreement with the core target specified in Guideline 10 - to aim at a quantifiable target to reduce the number of persons at risk of poverty by ca 300,000 by 2020, which equals an annual reduction of 30,000 people affected.

In order to reach this target, the introduction of the need-oriented minimum security in Austria as at 01.09.2010 is a significant step towards reducing poverty, whereby, however, further steps are necessary to adapt to the at-risk-of-poverty rate established by the EU SILC.

Another significant contribution to combating at-risk-of-poverty is the increase and enforcement of minimum wages in Austria, whose net amount must at least reach the at-risk-of-poverty threshold and which has to be agreed by the social partners. Apart from that and in view of the low net replacement rate compared to other EU countries and the increase in unemployment, an increase of the net replacement rate with regard to unemployment benefit is necessary

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to prevent that unemployment goes hand in hand with poverty. In a first step, this should be increased to 60%. Finally it would be necessary to change the law concerning emergency assistance, according to which partner income would no longer be taken into account in future.



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