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AK Position Paper

Position of the AK on the public consultation on the Conclusions of the Fifth Report on Economic and Social Cohesion

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

Werner Muhm
Director

Executive Summary

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From the workers' perspective it is very much to be welcomed that all EU regions will continue to receive structural funds in future. All Member States are faced with major socioeconomic challenges for broad sections of the population both in urban and rural areas. These have to be tackled with the support of cohesion policy. Due to the most recent developments (e.g. economic crisis, austerity budgets), Austria has to set priorities within the scope of the Europe 2020 Strategy, in particular in the policy areas of employment, education as well as poverty reduction and social exclusion. The sectoral EU policies (including rural development) have to be coordinated under the umbrella of the Europe 2020 Strategy.

Compared to other interest groups such as farmers and industry, workers in the last fiscal periods were only to a minor degree able to benefit directly from EU Funds. Therefore, the European Social Fund must not only be strengthened as to content, but above all financially.

The AK position in detail

How could the Europe 2020 Strategy and cohesion policy be brought closer together at EU, national and subnational levels?

Economic success is not only dependent on high competitiveness through welltrained employees. The quality of a location also very much depends on the social environment, the participation of all in the wealth generated and on social integration. Apart from aiming at export successes, domestic demand based on relevant wages and salaries as well as the social compensation for poorer citizens must not be neglected. Social peace, education as well as employment for all as a basis for a prospering life and a successful Europe, worth living in, are as important as are innovation, productivity and profits. It is the responsibility of the cohesion policy to meet all these challenges by **strengthening wealth and equality in Europe. All funds and instruments available to the European Union should be assigned to these targets.**

Therefore, AK welcomes the proposal of the European Commission to make cohesion policy a direct instrument for implementing the **Europe 2020** Strategy. In view of the general budget restrictions, the focus of European, national and regional funds on the priority targets of the Union should

be promoted. Only by **concentrating funds** it will be possible to **achieve the critical mass to make crosssectional and resultoriented investments** into the **future**. It is easier to coordinate sectoral EU policies under the common umbrella of the Europe 2020 Strategy. It is therefore essential that all five European Funds, namely the Cohesion Fund, the European Regional Development Fund (ERDF), the European Social Fund (ESF), the European Fisheries Fund (EFF) and the European Agriculture Fund for Rural Development (EAFRD) are strategically combined under the roof of cohesion policy. Only then it will be possible to guarantee that all EU funds will be oriented towards the objectives of the Europe 2020 Strategy.

From the point of view of the workers it is very much to be welcomed that **all EU regions will continue to receive structural funds in future**. In doing so, the Commission strengthens our conviction that economically more developed Member States and net paying countries are also faced with socio-economic challenges for broad sections of the population both in urban and rural regions, which have to be tackled. All Member States have regions with below average economic growth. Sometimes, the social imbalance between certain groups of a Member State is greater than between the States. The focus of the Structural Funds on the

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targets of the EU 2020 Strategy also implies that all of those that had to catch up in respect of agreed objectives would receive structural funds. Furthermore, the participation of all promotes the necessary acceptance of EU funds among the general public.

Should the scope of the development and investment partnership contract go beyond cohesion policy and, if so, what should it be?

We think that the Europe 2020 Strategy involves major **future challenges both for the Union and for Austria concerning the policy areas of employment, education and poverty reduction as well as of social exclusion.** The territorial disparities have increased with the economic crisis and its consequences (for example through austerity budgets), in particular at national but also at international level. One of the key requirements of the AK therefore is: **all funds of the cohesion policy have to contribute in order to achieve the socioeconomic objectives** in the areas of employment, education and poverty reduction as well as of social exclusion. Therefore, not only the cohesion policy, but all EU policies with structural policy orientation - in particular rural development and regional policy - have to be included in a strategic coordination, which covers both the EU level through the common strategic framework as well as the national level with the planned development and investment

partnerships. This shall ensure that the social dimension will be included in all funds as an overall primary objective.

The cohesion of the regions also requires that women and men in all regions of the Union have the same opportunities. **Gender equality** is therefore rightly a fundamental principle of Community Law, **which must also be pursued by the cohesion policy.**

Although the EU Strategy 2020 refers to equality, there is a lack of concrete obligations and objectives. Current experiences show that effective political governance needs such targets; however, mentions and declarations of intent remain mainly ineffective. It is therefore necessary to explicitly incorporate into all other frameworks concrete, measurable equality targets underpinned with values (such as increase in the number of working women, childcare targets) as well as the basic principle of gender mainstreaming. This concerns in particular elements of strategic programme planning, development and investment partnership and operational programmes.

How could a stronger thematic concentration on the Europe 2020 priorities be achieved?

The AK welcomes the proposal of **focus on two to three horizontal priorities to be applied** when implementing the cohesion policy in economically developed Member States. A greater focus on Europe 2020 Strategie priorities must be ensured. The EU funds have to be combined with national and regional public funds to obtain sufficient resources to achieve an effective policy for a social Europe.

However, focussing on only a few priorities also requires that equality of women and men is pursued within each individual priority.

We see a special challenge in the strategic orientation of the EAFRD. Currently, the major part of subsidies flows into the agricultural sector and not into "rural areas". In many countries, especially in Austria, the development of rural areas is put on a level with subsidizing farms. Here, the **Rural Development Fund** requires **reshaping** and **further development** already at EU level. In future, the EAFRD shall actually stand for the comprehensive development in rural areas; **create employment opportunities, provide local education opportunities** and improve the **quality of life** in rural regions. Applying targeted support, a lot could be achieved with relatively small resources. Therefore, the EAFRD should be open to all demographic groups and issues. (Currently, only 10 percent of the EAFRD

resources can be allocated to non-agricultural projects in Austria.) This requires detaching funds, programme planning and handling from the existing structures and affiliating these to those authorities - involving all actors - that are responsible for regional policy.

How could conditionalities, incentives and results-based management make cohesion policy more effective?

We support the approach to enhance the European value added of cohesion policy very much. Our experiences have clearly shown that cross-border programmes such as **European Territorial Cooperation**, but also programmes, whose objective is to link cooperations or the exchange of **good practice** of bodies and civil society, have a clear European added value and also fulfil the principle of additionality. Most projects would have not been possible without EU funds, as national programmes do not cover this dimension. Crossborder projects for example significantly support the growing together of regions with different cultures and welfare standards.

By contrast, the ERDF funds allocation with a very random handling of the notion of innovation contradicts the mentioned core principles and leads to freerider problems. ERDF funds are sometimes allocated in accordance with the principle of indiscriminate, allround distribution, as not innova-

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tive projects or measures are supported but those, which are easiest channelled through the “bureaucracy jungle”. Individual cases of direct company subsidies have also revealed that companies have relocated within the EU to obtain EU subsidies. Ireland has very clearly demonstrated what can happen when locationrelated policies are based on subsidies and low corporation taxes! Therefore from the workers’ point of view, **direct company subsidies from EU funds** within the scope of the European cohesion policy **should always be scrutinised**.

In general, the approach of results oriented funds allocation, proposed by the European Commission has to be regarded as positive, as it ensures targetoriented funds allocation.

However, apart from thematic concentrations, there should also be **enough room for experimental approaches and innovative projects**. The AK is in favour of innovative measures such as purposedriven connections and reserve funds in form of global subsidies with simplified procedures in the structural funds. Real innovations with socioeconomic themes do not compete with broad national support schemes. That is why absorption capacities exist. The express reservation of a certain budget share is sensible; however, sufficient scope for already tried and tested measures must also be available.

The focus on innovation already forms significant additional added value in the ESF. Due to budget restrictions and tighter legal boundaries because of the public procurement law, innovative approaches in the labour market policy are massively reduced. The most innovative projects are currently taking place within the scope of ESF interventions. A strengthening

of the ESF in the next period would therefore continue to guarantee the framework conditions for innovative approaches in labour market policy.

How could cohesion policy be made more resultsoriented? Which priorities should be obligatory?

In general, the approach of results oriented funds allocation, proposed by the European Commission has to be regarded as positive, as it ensures targetoriented funds allocation. It can decisively promote the targetoriented allocation of EU funds, in particular in cohesion fund, ERDF and EAFRD. Approving of programmes, ongoing reporting duties and evaluations are suitable instruments for guaranteeing correct funds allocation.

The AK is strictly opposed to the proposal of the Commission to link European cohesion policy with the budgetary discipline of the Member States, as this represents a blending of various policy areas, which have nothing in common. A condition, which ties a funds commitment to required institutional reforms and structural adjustments, also has to be vehemently rejected. The scope of agreements concerning strategic programme planning must not be extended to other policy areas and EU financing instruments.

Its important, to integrate workers into the labour market by providing special training for example, is not exclusively dependent on the education programme but also on the respective labour market situation and the economic development.

The content of the condition proposed by the Commission contradicts the solidary objective of European cohesion policy to reduce disparities. Financial sanctions will have a greater impact on the economically weaker Member States and regions and in particular the final beneficiaries that should be the primary beneficiaries of the cohesion policy. Retaining EU funds would also significantly worsen national or regional crises.

If a condition should find its way into the EU budget against our conviction, the **agreed financial sanctions have to extend to all EU funds, including those of the common agricultural policy.** It is difficult to explain why in this case in particular the financial funds of the cohesion policy, whose final beneficiaries are the European Citizens, are retained and why agriculture should not be subject to these sanctions, which have to be rejected on principle!

An extension of reporting duties for ongoing assessment should be approached cautiously as reporting duties significantly increase the administrative costs of EU subsidised projects and use resources, which would be better invested in operational and content-related tasks to achieve the EU 2020 priorities. Objectives and results should also be formulated very carefully. The achievement of agreed results may depend on different influencing factors outside the respective programme. The target, to integrate workers into the labour market by providing special training for example, is not exclusively dependent on

the education programme but also on the respective labour market situation and the economic development.

The financing of the projects/programme must be guaranteed. It cannot be that correctly implemented projects have a financing gap due to the condition and that this gap has to be filled retrospectively through additional national or regional funds. Financing must be guaranteed for lead partners; however, EU funds must also be foreseeable and plannable for the respective (labour market, education, etc.) budget.

How can cohesion policy take better account of the key role of urban areas and of territories with particular geographical features in development processes and of the emergence of macro-regional strategies?

We expressly welcome a stronger emphasis of the territorial cohesion and the reservation of certain subsidies for macro-regions. The different functions of city and surroundings put the territorial cohesion of regions at risk. That is why more attention has to be paid to separate concepts for cities (as growth engines, education and innovation centres, their development and their impact on the surrounding area). The **urban dimension** has to be given more prominence in strategy documents and individual programmes **to promote economic, social and territorial cohesions both regards to content and financially.** Mountain regions have a similar important function in

rural areas. In case of setting regional priorities, the territorial dimension must in particular include social innovations and social inclusion as well as tasks involving services of general interest.

As already mentioned above, **“European Territorial Cooperation”** and macro-regional strategies, provided they support social convergence as well as local actors, social partners and civil society, **have to be strengthened both as to content and financially**, as they, without a doubt, have great European added value. The EU should insist on a stronger integration of the actors, in particular in respect of preparing/developing operational programme. The increased administrative costs for setting up macroregions and for strengthening the partnerships of the named actors should be covered by fixed rates.

How can the partnership principle and involvement of local and regional stakeholders, social partners and civil society be improved?

The AK believes that to achieve the strategic goals, **the main actors of social partners and civil society and the NGOs at all levels**, namely local, regional, national and EU level, should be integrated into the strategic planning and accompanying reflection of the implementation. Suitable working formats are necessary to guarantee the actual

and effective integration of social partner and civil society organisations. As a first step in this direction, the authorities resp. bodies have to commit to enter into partnerships with the social partners at all levels, whereby the structures of the ESF in Austria could serve as “good practice”. Concerning the ESF, the social partners are not only well integrated at the level of the national monitoring committee, but also - at least in the area of labour market policy - at all levels of the final beneficiary Labour Market Service (LMS). In general, NGOs and the representatives of the civil society should also be integrated.

Simplifying verification processes

Time and cost expensive procedures and a large amount of bureaucracy are the most cited reasons for reservations against claiming EU subsidies. **Therefore the AK is in favour of simplifying the procedures.** In general, we support simplified refund procedures, such as standard costs and fixed rate amounts, associated with a more results oriented approach and a uniform handling of all EU financial instruments and funds of the various policy areas. We regard the creation of external accredited bodies to verify the financial conduct as unnecessary as this is in most cases more expensive than a verification by national cofinanced bodies or authorities.

As already mentioned in our introductory comments, the AK supports the opinion of the European Commission that all Member States should be able to participate in common cohesion policy.

However, it is questionable whether a far-reaching system change, as proposed by the European Commission, does not have the opposite effect. Therefore, it seems to be more sensible to incorporate simplifications in the present system.

How can it be ensured that the architecture of cohesion policy takes into account the specificity of each Fund and in particular the need to provide greater visibility and predictable funding volumes for the ESF and to focus it on securing the 2020 objectives?

As already mentioned in our introductory comments, the AK supports the opinion of the European Commission that all Member States should be able to participate in common cohesion policy. In particular the focus on the EU 2020 Strategy targets implies that all Member States would be supported in achieving these targets.

If one takes the commitment especially of the ESF in respect of the EU 2020 objectives and access to the ESF for all Member States seriously, one would also have to adjust the budget distribution criteria. The current distribution indicators such as GDP, unemployment rate or population density are neither sufficient to comprehensively assess the current labour market situation, nor do they give an insight as to how much effort is required to achieve the specified targets of the EU 2020 Strategy. Therefore, budget allocation must also be based on ad-

ditional indicators, such as employment rate of older workers, gender pay gap, further education rate, situation of people with migration background and number of university graduates.

Apart from that, we would once again like to suggest questioning the GDP as sole indicator for the allocation of funds and repeat the request to have the debate on additional indicators both at national and regional level. In our opinion, the indicators should be further developed and analysed as to whether further indicators, on which the funds allocation is based, would not be more beneficial to the implementation of the Europe 2020 targets.

The ESF must not only be strengthened as to content but above all financially. If one looks at the current budgets of those funds, from which Austria is able to obtain funds, one clearly realises the necessity of change: the Austrian ESF budget is just under half of the ERDF (regional fund), which together with the ESF handles the cohesion policy of the EU. The ratio of ESF to EAFRD (European Agricultural Fund for Rural Development) is only 1:10. In order to be able to put the Social Europe into practice, more funds must be made available to the ESF! Because so far, the Austrian workers have not benefited to the same extent from the European Economic and Monetary Union as have enterprises. The policy of the European Union has an asymmetric effect in favour of capital interests. Since the coming into force of the Economic and Monetary Union, the income from ownership and business in Austria has grown by 51 percent,

whilst salaries only rose by 38 percent. The Euroscepticism of many Europeans is not only a result of inadequate communication by government authorities but also of experienced reality.

The AK regards the issues put forward as initial considerations for the realignment of the cohesion policy after 2013 and reserves the right to submit further positions.

Should you have any further questions
please do not hesitate to contact

Elisabeth Beer

T: +43 (0) 1 501 65 2464
elisabeth.beer@akwien.at

or

Silvia Hofbauer

T: +43 (0) 1 501 65 2642
silvia.hofbauer@akwien.at

as well as

Frank Ey

(in our Brussels Office)
T +32 (0) 2 230 62 54
frank.ey@akeuropa.eu

Bundesarbeitskammer Österreich

Prinz-Eugen-Strasse, 20-22
A-1040 Vienna, Austria
T +43 (0) 1 501 65-0
F +43 (0) 1 501 65-0

AK EUROPA

Permanent Representation to the EU
Avenue de Cortenbergh, 30
B-1040 Brussels, Belgium
T +32 (0) 2 230 62 54
F +32 (0) 2 230 29 73