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AK Position Paper

Annual Growth Survey 2014

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About us

The Federal Chamber of Labour is by law representing the interests of about 3.4 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, communityand 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

On 13 November 2013, the European Commission ushered in the European semester 2014 with the Annual Growth Survey (AGS). In parallel to this, the Commission also published the draft Joint Employment Report, the report on the integration of the Single Market and the 2014 Alert Mechanism Report (AMR), launching the annual cycle of procedures for monitoring macroeconomic imbalances. The Federal Chamber of Labour (AK) sets out below its position primarily with regard to the AGS and, in summary, maintains that despite some definite positive initial signs, there is no evidence of a fundamental change in course towards a new European growth and distribution model, something which in our view is essential for overcoming the crisis.

The AK position in detail

General remarks

1. Continuing the present path of reforms is exacerbating the social crisis

The Commission is pointing to signs of an easing of the economic situation as encouragement and an endorsement of the path of reforms it has been pursuing and is calling for the pace of reform to be maintained. Already, this represents for us a starting point for major criticism. In light of the 26 million unemployed people, the widening gap between high and low incomes and levels of wealth, increasing poverty, rising public debt and a financial sector that remains unstable, Europe urgently needs a change of course towards a new growth and distribution model in which the promotion of domestic demand, investment in a sustainable social and environmental infrastructure and general distribution policy issues are at the heart of European politics. As we already stated in our response to the 2103 AGS, the Commission's current crisis management strategy is accentuating the economic and social problems in the EU instead of solving them. The harsh austerity course implemented in Member States that receive financial assistance, along with tightened rules for economic governance, reduces domestic demand, stifles potential for growth and employment and furthermore leads to a failure to meet fiscal targets. As such, the large and swift consolidation programmes being implemented in response to the growing budget deficit are creating a vicious cycle in which economic performance is stifled and unemployment increases, thereby in turn significantly weakening effective fiscal consolidation. This connection is at least identified in the draft Joint Employment Report which, with its frank portrayal of dramatic labour market and social trends, is essentially a confirmation of the failure of austerity: "Moreover, the restrictive fiscal policy - as has been pursued in the southern/peripheral countries that have the euro as their currency - has had a negative effect on employment, and changes in the tax and benefit systems, as well as cuts in wages and salaries in the public sector have caused the real incomes of private households to shrink significantly."[1]. And that is still playing down the issue considering the disastrous "successes" of austerity, for example in Greece. More than 30% of the Greek population now live near or below the poverty line. The drastic budget cuts have meant that the public health system is on the verge of collapse (some hospitals lack appropriate medical equipment to perform certain operations or drugs to treat cancer patients, for example) and many state schools are in an appalling state.

In addition, a recent study from the[2] Commission sphere confirms that the political measures of recent years to restructure budgets in Europe have had an adverse effect on growth and employment.

1 See the draft Joint Employment Report, p. 41

2 See Jan in ‚t Veld: "Fiscal consolidations and spillovers in the Euro area periphery and core", Economic Papers No. 506 / October 2013

Against this background, it is incomprehensible to us that the Commission is calling for the current path of reforms to be resolutely carried forward.

In this context, the Commission's statement that "reform efforts at national and European level... will only be successful and effective and accepted by the public in the long run if the imperatives of fairness are taken into account... " should be viewed almost cynically[3]. The ongoing demonstrations and riots in the southern EU countries against the austerity policies of their governments seem to pass unnoticed at the Commission.

2. The first tentative signs of a rethink

The Commission thinks the peak of the crisis has passed, "though the incipient recovery is still modest and fragile, and the economic context is characterized by uncertainties, such as the slowing demand in emerging economies"[4]. We do not share this assessment, especially as the OECD has again recently reduced its forecast for global economic growth due to the cooling of the economy in the emerging nations. Rather, we fear that the already modest growth forecasts for 2014 and 2015 need to be further revised downward. **Particularly against this background, the next European semester needs to focus on promoting domestic demand.**

In the proposed measures for the individual priorities there are indications that point towards a stronger promotion of domestic demand, but these remain contradictory. Thus, with regard to fiscal consolidation, the Commission is proposing a growth-friendly combination of revenue and expenditure measures, but at the same time notes that expenditure-based consolidation measures are preferable. These "inconsistencies" continue when the Commission calls for: "On the expenditure side, the Member States must find ways of ensuring long-term investments in education, research, innovation, energy and climate change"; equally, the active labour market should be further developed. It is a positive development that the need for investment is gradually also being recognised in Brussels. At the same time, however, according to the AGS, countries with high tax rates should focus primarily on spending cuts, while Member States with greater fiscal room for manoeuvre should stimulate private investment and consumption, for example by reducing taxes and social security contributions. This does not add up: only a state with a sound tax base can invest adequately in the areas proposed by the Commission. Elsewhere, the Commission explains the slow growth of many Member States by saying that companies lack the margins to invest in manufacturing and consumer spending power is limited. In response to this, there should be a call to strengthen the demand side. However, the Commission remains stubbornly attached to its neoliberal ideology and attributes the cause to "outdated structures on the labour and product markets." On the other hand, surprisingly, it then states for the first time the realisation that wages are not only a cost factor, but also a demand factor: to promote the creation of jobs, the Member States should ensure "that the wage trend is consistent with the trend in productivity and that it promotes both competitiveness and overall demand".

3 2014 Annual Growth Survey, p. 3-4
4 2014 Annual Growth Survey, p. 3

This contradiction runs through the entire report. Thus, Member States should structure their tax systems so they are more growth-friendly, for example by diverting the tax burden from labour onto taxation of consumption, property and environmental damage. A higher taxation of property and environmental pollution with simultaneous tax relief for (especially lower and middle) earned incomes would be a useful measure for stimulating demand, but this would in turn be counteracted by increased excise duties.

However, the report also contains proposals that should be seen as very positive, such as improving the fight against tax fraud and tax evasion, a coordinated approach to aggressive tax planning and tax havens as well as improvements in resource efficiency and reducing the EU's dependence on external sources of energy. This also applies to the priorities identified with regard to tackling the social consequences of the crisis (measures to combat poverty, wider access to affordable, efficient services in the social and health sectors, in terms of childcare and housing and energy provision). Also important is the instruction that Member States should adopt their implementation plans for the Training Guarantee for Young People quickly. However, how this will be financed in an overall restrictive budgetary environment remains unanswered.

To sum up - although it contains some quite positive starting points - no fundamental change of course towards a new European growth and distribution model, such as we have been calling for for several years, can be derived from this report.

However, we would like to highlight as positive that in the 2014 Alert Mechanism Report, Germany is also, for the first time, subject to a detailed examination because of its huge current account surplus, which has exceeded the threshold every year since 2007. Germany was heavily criticized recently by the US and the IMF and was asked to reduce its surplus. In absolute terms, the German current account surplus of almost 7% of GDP is one of the largest in the world and is one of the main causes of the current account surplus of the eurozone as a whole. It is not a question of the Commission restricting Germany's competitiveness or its export performance. But the high current account surplus reflects weak domestic demand and an import deficit. It is therefore with reason that the Commission writes with regard to the countries with a current account surplus "More investment and a reduction in national savings would have a wealth-creating effect for these countries and help to promote sustainable growth." The Commission is thus coming closer to the AK position that the necessary correction of the imbalances can only be successful over the whole economy if it is also based on stronger growth in demand in the surplus countries.

3. The strengthening of the European semester in its planned form is rejected

We remain extremely sceptical about an ex ante coordination of economic policies in the eurozone, when a unilateral focus on achieving competitiveness is the top priority. In our view, the issue of whether these reforms lead to more and better jobs and serve to preserve and extend sound social security systems is of equal importance.

In the Annual Growth Survey, the Commission again promotes its concept of contractual agreements (so-called

Competition Pacts) with the Member States to "improve compliance with the country-specific recommendations". AK has spoken out decisively against any such contractual agreements from the outset. The experience of recent years has shown that the EU Commission is generally not concerned with reforms that would also be useful and important from the point of view of workers. In essence, the pacts for competitiveness are aimed at far-reaching cuts in social systems and interventions in the wage bargaining systems of the Member States. But above all, the Commission's rights of intervention are questionable from a democratic point of view, as the influence of Member States' parliaments in terms of determining core national policy areas (e.g. pension systems) would be massively curtailed. Chancellor Faymann also expressed his opposition to Competition Pacts at the last summit. We assume that the Austrian government will stick to its negative position at the forthcoming European Council meeting on 19-20 December 2013.

Specific comments on individual priorities within the 2014 Annual Growth Survey

1. Initiating differentiated, growth-friendly fiscal consolidation

As mentioned above, this section contains certain signs of a change in thinking in terms of promoting domestic demand; however these are inconsistent and contradictory. Thus for example, with regard to Austria, the Commission is calling for the medium-term budgetary objective (MTO) to be achieved as early as 2015, forcing Austria into additional austerity measures in an already difficult economic environment. We do not see it as plausible that, with such high unemployment, the economy is back at full capacity (which is the Commission's justification for bringing forward the MTO target).

We would like to state at the outset, that we welcome the fact that the Commission is strongly emphasising the need for longer-term investments in education, innovation, energy and climate protection as well as in active labour market policies. What we are still lacking here is a clear commitment to the expansion of investment in the social-welfare productive infrastructure (from childcare to nursing care), as the Commission called for in February 2013 in its Communication "Social Investment for Growth and Cohesion".

It is inconsistent that these necessary investments come under the dictate of fiscal consolidation. The Commission takes too simplistic a view when it argues that the Member States themselves must find ways to secure or fund these investments. These ways are being blocked by the restrictive requirements of the new economic governance (Six-Pack, Two-Pack, Fiscal Compact). On the other hand, the Commission's preferred approach remains expenditure-based consolidation measures, although at the same time it is open to a combination of revenue- and expenditure-based measures. We refer in this regard to the member of the German Council of Economic Experts, Peter Bofinger, who, in the recently published annual report for 2013/14, clearly rejected the assessment of his colleagues that spending cuts in the eurozone have less negative effects than tax increases[5]. Therefore, according to Bofinger, "...consolidation policy should not focus solely on cuts in expenditure and in state payments to more vulnerable households. A study by the International Monetary Fund (2013) showed that Greece, Ireland, Spain and Portugal have lower tax revenues than comparable countries and therefore in these cases, there would be scope for consolidation on the revenue side. Another study by the International Monetary Fund examines the effects of consolidation programmes on the distribution of wealth. It comes to the conclusion that spending cuts have significantly more negative effects on wealth distribution than tax increases." The IMF also sees scope in many developed nations, especially Germany, to gain more revenue at the top of the income distribution scale, if desired.[6]

Based on these considerations, we are advocating **a stronger revenue-based consolidation policy** which at the same

5 German Council of Economic Experts, Annual Report 2013/14, November 2013, p. 141 ff

6 Cf „Germany: The IMF sees plenty of scope for tax increases", in: Zeit-online, 16.10.2013

time creates scope for a budget-neutral growth plan. In our view, the time has come to adopt and implement an EU-wide coordinated programme of public investment for growth and employment. Every delay while waiting to see what happens is further exacerbating unemployment and the massive loss of confidence in the EU and is thus endangering European cohesion.

The financial scope exists:

- An immediate budget-neutral growth plan is possible even within the current budgetary framework. The European Council itself called in March 2013 for short-term targeted measures to promote growth and employment. And it referred explicitly to the opportunities offered by the existing budgetary provisions of the Stability and Growth Pact and the Fiscal Compact. This refers to the ability to increase government spending on public investment if this increase will be offset by revenue-based measures of the same amount. **This, in our view, clearly addresses the issue of the distribution of wealth at the highest European level!** What is needed now is for Member States to develop a policy that puts into practice a coordinated approach, particularly with regard to taxing assets, top incomes, capital gains and corporate profits in order to create the necessary resources for expansive growth and employment policies.

- Additional resources for financing public investment can be secured by the rapid introduction of the proposed financial transaction tax and effective measures against tax fraud, tax evasion and aggressive tax planning.

Against this background, we particularly welcome the inclusion in the 2014 Annual Growth Survey of tax policy proposals which strengthen the revenue side and also aim to relieve the tax burden on labour. However, to structure the revenue side equitably means differentiating not only between types of taxation, but also according to the level of income and the size of assets. Placing a (relatively) high burden on recipients of small and medium incomes by imposing higher consumption or environmental taxes would reduce their purchasing power and thus overall consumer demand and would therefore again curb growth. It is therefore necessary to abandon any notion of raising regressive excise duties and in terms of environmental taxes, care must be taken to ensure they are designed to be socially equitable. In contrast, these negative effects on demand would be negligible if higher taxes were imposed on top incomes and wealth, and therefore this approach would be more conducive to growth and at the same more effective in terms of wealth distribution.

In particular, we welcome the reference to combating tax fraud and tax evasion, including measures against aggressive tax planning and tax havens. However, it is disappointing that the introduction of a common consolidated corporate tax base and the imposition of a minimum tax rate for corporation tax are not touched on in the AGS. If this measure were implemented, it would be a first major step in the fight against aggressive tax planning and harmful tax competition in corporate taxation. It would also significantly reduce the high compliance costs for cross-border companies (which, in extreme cases, currently have to take into account 28 different corporation tax regimes) and prevent distortions in competition. It is also disappointing that the financial transaction tax is not discussed in the AGS. The planned introduction of a financial transaction tax by 11 EU Member States has unfortunately stalled once again. Nevertheless, it must be the goal in the medium to long term to introduce an EU-wide financial transaction tax.

As before, we firmly reject a systematic link between the statutory retirement age and life expectancy. The average actual pension age in Austria is several years below the statutory retirement age (in many other EU countries this is also the case). Given this situation, the aim must instead be to reduce the gap between the actual and statutory retirement age, which is something that is also in line with the Bad Ischl Resolutions of the Austrian social partners. To make this possible, emphasis must be placed on factors such as age-appropriate working conditions, improved health protection, increased rehabilitation and retraining opportunities for workers affected by health issues and increased involvement of older workers in company training. The best strategy for guaranteeing long-term financing of high-quality systems of social security is to ensure the best possible integration into the labour market of people of working age across all age groups.

2. Restoring a normal level of lending to the economy

The slow pace of the process to clean up bank balance sheets up to now and the correspondingly slow pace of economic growth are mainly due to the lack of an orderly bank insolvency system. On one hand, this has led to an enormous burden on public finances and on the other, it is an expression of a huge moral hazard.

During the process of restructuring and reorganising the banks, particular attention needs to be paid to strict adherence to the liability cascade. The strict principle should apply: no bail-out without a bail-in. This will not only reduce the likelihood and amount of any future burden of bank rescue packages - above all by reducing the moral hazard - but will also provide strong incentives for more efficient risk management. The same reasoning also applies to funds resourced from public money (ESM). At all events, it is conceivable that the ESM would undertake guarantees for borrowing by the resolution fund until a pre-funded resolution fund for banks reaches its full capacity.

On page 11 of the AGS it is noted that in the period 2014-2020, the amount of funds available to SMEs via certain financial instruments with a leverage effect is expected to double overall. The AK points out that the participation of Member States in this SME initiative should be voluntary because not all economies face the same problems with SME financing, as the Commission itself stresses. In our opinion, Austria should in any case not turn ESIF funds into leverage instruments as, in the case of Austria, this would reduce the overall effectiveness of the funds.

The Commission recommends that the corporate tax system should be amended so that it does not favour debt financing so heavily. The AK is against adjusting the position of equity via tax reductions in the direction of loan capital. In addition to huge revenue shortfalls, this would lead to a further intensification of the imbalance with regard to tax distribution (capital/corporate taxation as a proportion of total tax revenue would continue to decrease). It would in any case be worth considering revoking the preferential tax treatment of loan capital - especially to plug or at least limit loopholes that are being exploited via various arrangements to "optimise" tax revenue.

The AK also rejects all proposals that are directed towards the promotion of new forms of corporate financing through tax legislation. Rather, the tax system should be simplified and should be freed from special provisions and loopholes for companies. The priority in any case - as has already been mentioned - is to reduce the tax burden of wage and income tax on the lower income groups.

If new forms of financing are developed as an alternative to traditional bank loans, it is at least necessary to ensure that financial stability considerations, information efficiency and investor protection are given high priority.

3. Promoting growth and competitiveness for today and for the future

In this section, the promotion of growth appears to play less a of role than the promotion of supply-side competitiveness. This is particularly evident when it talks about "outdated structures on the labour and product markets" that would supposedly impede measures to strengthen competitiveness. In contrast to this, AK again makes its position clear that any reduction in workers' rights and achievements in terms of social progress will not only lead to a socially backward development, but is also economically dangerous, especially as the reduction in (domestic) demand has triggered a macroeconomic contraction process which cannot be offset by possible increases in exports.

We are **opposed to the further opening up of the services markets**, particularly with regard to the water sector highlighted in the survey. Generally, the AK advocates non-discriminatory, comprehensive and affordable access to public services. This requires a clear political commitment to public ownership of strategically important infrastructure, such as electricity grids, and to operation by public bodies. Half-hearted lip service combined with a lack of clear public service remit mean that the EU competition and internal market rules have to be applied. Yet public services have proved to be a social buffer and shock absorber for the effects of the crisis - especially for those people most severely affected by the crisis. However, the increased demand for public services together with strict austerity measures, have once again increased the pressure on the public sector to move towards privatisation or outsourcing. The crisis has also highlighted faults in former liberalisation and privatization projects. This calls for a renewed consensus that the public sector is responsible for meeting basic needs and should receive the funds necessary for this in order to restore its ability to make decisions in the public interest. A clear commitment to the assumption of responsibility by the public sector would allow the straitjacket of internal market rules and state aid rules to be shaken off, thus ensuring political scope for an expansion of public services.

The priority in terms of energy policy is to reduce energy consumption by means of substantial **improvements in energy efficiency**, which will make a huge contribution towards reducing energy costs. The EU Energy Efficiency Directive has to be implemented in the Member States by June 2014. Care must of course be taken to ensure the cost-effectiveness of support schemes for renewable energy - although that has nothing directly to do with the completion of the internal energy market, but rather with the content of the planned EU guidelines on state aid for environmental protection and the energy sector for 2014 to 2020.

Concealed within the Commission's proposals regarding **restrictions on access to port services** is the undermining of the rights of dock workers and the increased deployment of the already heavily burdened ship crews. This should be rejected due to safety considerations. It also contradicts the international provisions of the ILO (International Labour Office), according to which trained dock workers are primarily to be deployed for dock work (cf. ILO Convention No. 137 on dock work).

Similarly, the competitiveness of the EU cannot be improved by changing access to the rail network. In freight transport in particular, the networks are already open and the regulatory bodies ensure fair access. Any further lifting of access restrictions can only affect passenger services. Particularly in this area, all the examples point in one clear direction: a further opening up of the networks results in neither more rail transport nor more satisfied customers. Rather, the transport sector is booming in places where there is political commitment to promoting more rail traffic through genuinely effective measures - such as infrastructure development, regional planning, establishing a framework for fair competition between rail and road etc. The most efficient railways are to be found in a country where there is no talk of liberalisation or the lifting of access restrictions, namely Switzerland.

4. Combating unemployment and tackling the social consequences of the crisis

The EU Commission is right in noting that Europe is continuing to struggle with the consequences of the crisis, such as increased unemployment, record levels of youth unemployment and the perpetuation of poverty as well as an increase in the groups of people threatened and affected by poverty. The primary objective must therefore be the introduction of measures that enable and promote permanent jobs with a living wage.

Some of the proposals by the European Commission are appropriate for tackling these problems:

- The focus on opening up new employment opportunities, especially in growth sectors is an important approach. However, it is also necessary to take into account the need to resolve the problem of funding within the public sector, particularly in the social sphere. When it comes to job opportunities in the green economy, it is important to ensure above all that the quality of the work is also right. The focus of all support, training and employment initiatives should rest primarily on skilled jobs.

- The development of an active labour market policy which includes active support and training for people seeking employment is essential.

- Also seen as positive are all initiatives that include the reduction of gender discrimination and enhanced measures to combat poverty. These must include both adequate support services and specific measures to promote reintegration into the labour market.

- It is also significant that the Annual Growth Survey refers to the importance of adequate, affordable childcare services for promoting the participation of women in the labour market. In addition to this, however, the considerable effects on employment and the additional revenue for the public sector due to the expansion of childcare (as well as the expansion of other social services, such as nursing) should also be highlighted. A Chamber of Labour (AK) study on the "Economic and fiscal effects of the expansion of childcare in Austria", for example, shows that a campaign to expand childcare - in the form of government start-up funding of 100 million euros over each of the next four years[7] would mean that through the creation of early years childcare places, it would finally be possible to achieve the Barcelona target of a 33 % attendance rate for the under 3s in Austria (and also enable the quality of childcare for all preschool age groups - opening times, staffing ratios - to be improved). This would create some 14,000 jobs in childcare itself, and a further 2,300 could arise from the additional demand in other sectors. In addition, depending on the economic situation, it would enable between 14,000 and 28,000 parents to work who were previously prevented from working by their care responsibilities. The taxes from the additional jobs along with savings in unemployment insurance would result in revenue for the public sector, which would exceed the additional cost of the childcare from the fifth year.

- As mentioned above, it is to be welcomed that in relation to wage trends, overall demand is also addressed, especially as an important element in the recovery of the labour markets is the strengthening of domestic purchasing power. Whether the pressure exerted by the Commission for wage restraint or pay cuts - even though the EU has no authority in this area - will abate, in view of the experience of recent years, remains to be seen (see the requirements imposed by the Troika in the Programme Countries). Moreover, in our view, it is also necessary to take the inflation rate into account if the Commission does not address the real wage trend here.

- Another positive aspect is that the Commission stresses the importance of social partners in the design and implementation of policies. The AK is encouraged by these policies, even though the Commission was late in recognising the need for them. The austerity policies that have been enforced in the crisis countries, as well as in the Central and Eastern European states, have tended to weaken the social partnership structures and interest groups such as trade unions and to dismantle workers' rights under the pretext of labour market reforms (the study commissioned by the Vienna Chamber of Labour (AK Wien) "The financial crisis and its impact on the welfare state and labour relations"[8] documents this

7 The government parties agreed in the middle of this year to a relevant start-up funding from 2014 (Presentation to the Council of Ministers)

8 See Hermann C., Hinrichs K.,

in detail). This has had the effect of weakening or deactivating the institutions that provide a fair wage-setting mechanism in many Member States. As established structures have been weakened long term, the AK fears that the social partnerships in some countries will no longer be able to fulfil their function, which is socio-politically so important, unless they are strengthened accordingly at European level. Austria should highlight the negative repercussions of austerity and advocate the strengthening of the social partners.

- The rapid implementation of a European Youth Guarantee is something the AK has vehemently called for at all levels for some time. However, the financial framework provided for this initiative remains inadequate. Firstly, six billion euros over the next two years is too little, and furthermore, funding is not secured beyond this timeframe. Yet the fact that it will be necessary to institute clear measures to combat youth unemployment over a longer period is probably is not in dispute.

However, a number of aspects should be viewed critically:

- In addition to the inadequate funding for the Youth Initiative, the significant reduction in the budget of the European Social Fund should be opposed. Many of the proposals in this report are also action areas of the ESF. It is highly questionable how seriously these issues are really being addressed when ESF funds are being significantly reduced in this way - despite its increased remit.

- The notion of modernising the employment protection legislation, despite the neutral wording, is likely to have a negative outcome, namely a reduction in employment protection and greater flexibility at the expense of workers. The occupational mobility of workers is already very large, with swapping between different sectors common, and the labour market is already extremely flexible. The average duration of employment is continually decreasing. Further restricting employment protection is therefore the wrong approach.

- The Commission intends to support entry into the labour market through the use of traineeships and is planning to create a quality framework for traineeships. However, traineeships in particular are often focused on providing cheap manpower with no obligations rather than being a high-quality practical addition to theoretical training. For this reason, traineeships are currently only suitable to a very limited extent in terms of making a real contribution to combating unemployment, and clear social security and labour law standards are essential here.

- The Commission sees the increased mobility of workers as one of the keys to getting young people in particular into employment, and is therefore accelerating the development of EURES from a European network into a European employ-

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Magnus B., „Die Finanzkrise und ihre Auswirkungen auf Sozialstaaten und Arbeitsbeziehungen" in: Sozialpolitik in Diskussion, Vol 13/March 2013, p. 27 ff.

ment agency. However, the first step should be to strengthen the regional labour markets in order to open up opportunities for young people to make a positive, sustainable entry into the labour market.

- The development of EURES into an actual European employment agency is also problematic, as the current proposals include the (untested?) intensive involvement of private employment agencies. This would in any case require quality standards and better involvement of the social partners, which is not currently provided for.

5. Modernising public administration

The AK is against slogan-like generalizations and platitudes like "... need for uncomplicated regulatory systems, in particular for SMEs". Regulatory systems were set up to satisfy specific protection concerns or general public interests. In any case, the simplification of the regulatory framework should not lead to **employee protection provisions** being abolished or weakened, even if they involve a certain administrative burden for companies. Likewise, the benefits and protective purpose of information obligations should not be disregarded, given that a high quality and quantity of information is essential for the internal market to function – particularly for workers and consumers. Moreover, we have repeatedly pointed out that the general term "SME" de facto means that there should be an exception from the existing systems for almost all companies, because 99.6 % of all companies are SMEs!

Under the REFIT programme, the Commission services have mapped the entire EU legislative stock to identify unnecessary administrative burdens, gaps, and inefficient or ineffective measures - in particular this involves reducing the administrative burdens for SMEs. In AK's view, the Communication is very unbalanced and would lead to a **deterioration in worker and consumer protection**. This, for example, relates to workers' rights to information and consultation as well as the issue of health and safety at work. The protection of people and the environment must not be reinterpreted as an administrative burden. Rather, this protection represents the essential regulation of economic activity.

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