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AK Position Paper

Modernising social protection for the active inclusion of people furthest from the labour market

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 Labor.

Herbert Tumpel
president

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director

Executive Summary

- The number of non-employed people averages 30% in Europe. Measures for their inclusion into the labour market are highly necessary.
 - In regard to the Commission's call for an intensification of supply-sided work incentives, AK favors adequate minimum wages and effective measures for the prevention of wage dumping. The "Agreement for a minimum wage" ("Grundsatzvereinbarung zum Mindestlohn") (1000 Euro) in Austria is a positive example.
 - AK favors the reform of taxation and social security systems. This should not, however, lead to a loss of revenues, but to the adoption of measures of positive distributive effects.
- 23.6% of women in Europe between the age of 25 and 54 are not employed. 50% of them cannot enter the labour market due to family care responsibilities. In Austria, the number is even higher, averaging 60%. Measures for a better compatibility of work and family are highly necessary.
- The quality of formation is the single most important factor for young people entering the labour market. Measures should, therefore, focus on formation, such as the Austrian "formation guarantee" that will create an apprenticeship training position for every young person by 2009/2010.

Preamble

The Austrian Federal Chamber of Labour (hereinafter: AK) welcomes the European Commission's interest in taking forward the active inclusion of people furthest from the labour market in the European Union. The starting points mentioned in the present Communication on providing benefits that secure a livelihood, promoting labour market integration as well as the better availability of high quality services are important starting points for greater integration of these people.

However, the AK would like to point out that it is not enough to just launch initiatives within the framework of the three above-mentioned areas. What is needed in the run-up to these initiatives is to structure the economic policy in a preventative way in the area of monetary as well as fiscal policy in order to counteract the emergence of social exclusion. The sustainable elimination of social exclusion, which only begins when combating the symptoms, will not be attainable with the method of social inclusion alone.

Specific comments

The inclusion of people far from the labour market also needs to be geared from the outset to reducing the number of precarious jobs and translating them into forms of work that secure a livelihood.

Specific efforts are urgently needed to take forward the active inclusion of people furthest from the labour market: the number of persons not employed throughout Europe as a percentage of the whole population was 29.4% in 2006 (EU-25). In addition, gainful employment is accompanied more and more often by poverty. In Austria, 249,000 people (7% of all wage earners) were regarded as working poor in 2005, i.e. at risk of poverty despite having a job. In view of these alarmingly high values, the inclusion of people far from the labour market also needs to be geared from the outset to reducing the number of precarious jobs and translating them into forms of work that secure a livelihood. Insufficient social protection, involuntary part-time employment, high demands on the flexibility of the individual that are unjustifiable should not be the result of well-meaning integration measures.

It is also important to emphasise that the social inclusion of people far from the labour market calls for a holistic approach. The areas cited in the Commission Communication, namely transfer payments, active labour market policy and social services, need to cooperate in a way that results in a coordinated approach.

A holistic approach e.g. for disabled persons, one of the groups most affected by exclusion from the labour market, is of particular importance.

Poverty, which will occur more and more in future, cannot be combated through social services alone. Instead, we need various areas to cooperate with each other, with the focus on training and further education, including rehabilitation, assistance in the form of benefits, ensuring equal treatment in working life and facilitating equal participation in social life (above all through accessibility).

Sustainability of the measures agreed should also be considered. Continuous co-financing by the EU with regular evaluation of the results would be desirable.

Another important point is the specific structuring of the increase in labour supply incentives called for by the Commission (Point 3). In the process, special importance needs to be attached to the introduction and control of adequate minimum wages. An important step in this direction is the "Agreement in principle on a minimum wage of EUR 1,000" concluded on 2 July 2007 between the Austrian Federation of Trade Unions (ÖGB) and the Austrian Federal Economic Chamber (WKÖ). However, it is also important above all in connection with cross-border employment (but also undeclared employment etc.) that control systems on actual adherence to minimum wage provisions are strengthened or established.

Compare this with the joint declaration by the Federal Government and social partners on measures against wage and social dumping in Point 5 of “Arbeitsmarkt – Zukunft 2010. Vereinbarung der Sozialpartner mit der Bundesregierung zur Jugendbeschäftigung und zur Deckung des Fachkräftebedarfs” (“Labour market – Future 2010. Agreement between the social partners and the Federal Government on youth employment and covering the need for experts”).

We welcome in principle a reform of tax and social security systems in order to increase the incentive to take up gainful employment. However, we need to ensure that the financial resources foregone in this way are reallocated to public funds in another way that makes sense in terms of distribution policy.

As regards the inclusion of people far from the labour market, we should see to it in future that the financial incentives for employers to hire described in Point 4.2 do not lead to economic profit-taking effects and with it to expensive subsidies for enterprises without a substantial effect on employment.

Social inclusion from a gender perspective

The proportion of women not gainfully employed is, at 36.7%, still particularly high (EU-27: 37.1%) – despite a fall owing to a continuous increase in the participation rate. It turns out particularly in the main active age range that the very distinct gender-specific differences can be put down to the unequal distribution of care work between the genders: of the 23.7% of women not gainfully employed throughout Europe (EU-27) in the main active age range between 25 and 54 years (compared with 8.1% of men), almost half (10.2%) are far from the labour market due to family obligations. In Austria, the proportion of women not gainfully employed in the main active age range is 19.1% – whilst this is below the EU average, the above-average proportion, namely two-thirds of these women (12.8%) who are not gainfully employed due to family obligations is all the more striking.

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More than a third of all women in part-time employment earn less than € 600 net a month and therefore have an income from employment that cannot be described as securing a livelihood. A key objective must therefore be integration in the labour market that also guarantees an independent existence.

A comparison between the income growth of women with and without children is also another alarming sign with regard to labour market exclusion and insufficient integration: women with children earn significantly less than

women without children. This difference is all the more glaring the younger women are: 25-year-olds who already have a child earn 68% less than women of the same age with no children, with all training levels affected more or less the same by this high income difference.

The Austrian social security system is not geared enough to reconciliation of work and family life. Parts of the system work de facto towards excluding people from the labour market due to child care duties, as is clearly the case for example with the child care benefit (family benefit) and child care possibilities: in its previous form, the child care benefit has proved to be an opt-out case for women because of the long period of receipt (until the child is max. 3 years old) with at the same time the low benefit amount of € 436 a month and the regulation on additional earnings that hinders employment. Reform of the child care benefit, which entered into force on 1 January 2008, will bring about a certain improvement here, although it still contains weak points (cf the AK's opinion on the draft appraisal in question).

A key matter of concern for the social inclusion of women far from the labour market must involve taking forward the reconciliation of work and family life and stopping measures that force persons with care duties to stay away from the labour market.

Providing incentives for young persons

Access to qualified initial training needs to be guaranteed for all young persons.

The quality of training forms the basis for young people entering working life and for their prospects on the labour market in principle. Access to qualified initial training therefore needs to be guaranteed for all young persons.

Young persons that not have completed any vocational training because they opted out of initial training must be given the opportunity to catch up on school studies or an apprenticeship in order to combat the danger of long-term unemployment and with it their "removal" from the labour market.

Social economic projects for integration in the labour market should be encouraged for young persons who are already long-term unemployed.

One measure to include unemployed young people, those seeking apprenticeship places or those already far from the labour market consists in making training places available to this group in independent or separate training facilities in particular, with such facilities offering full training through to completion of an apprenticeship. In the process, an important point is also quality management in these training measures.

On the basis of the social partner agreement "Labour market – Future 2010" from October 2007, the social partners and the Federal Government reached key agreements on 10 January 2008 in order to realise these goals:

The training guarantee for young people contained in the government programme is being implemented – this means that complete, high-quality apprenticeship training will be offered as an industry-wide measure for all young people that do not find an apprenticeship in an enterprise. A similar thing holds for training older youngsters and "drop outs". The government aims to provide around 17,000 places by 2009/2010.

In addition, the promotion of apprenticeship places should be geared to the quality of training and the future prospects and income prospects of young people in future. Criteria should be developed by representatives of workers, trade and industry and the government in order to promote the quality needed in connection with this.

In addition, low threshold projects for young people looking for work should be set up and promoted. ESF funds should be made available for this.

In our opinion, measures as part of a supporting European framework could be in particular: information exchange on measures taken in individual Member States and projects, exchange of best practice examples, provision of financial resources and the undertaking and financing of studies in connection with the social integration of people far from the labour market. In the process, the main focus of the studies should be on the needs of people and the organisational requirements of the respective measures.

The AK hopes that these ideas are taken into consideration when this topic is dealt with further.

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