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AK Position Paper

A real new start for Europe

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.

Rudi Kaske
President

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 3.4 million members are exempt from subscription payment, but are entitled to all services provided by the Austrian Federal Chambers of Labour.

Werner Muhm
Director

Executive Summary

Ten political assignments for the coming period of office of the European Commission

1. Orient budgetary policies in the EU towards the core targets of the Europe 2020 strategy
2. Limit the power of banks and financial markets
3. Towards a social compact! Put a stop to the social crisis and give Europe's youth a future
4. Enforce public investment in social and ecological infrastructure and enable a sustainable industrial policy
5. Redistribute income and wealth in order to promote domestic demand
6. Direct the internal market towards the interests of people and reinforce public services
7. Strengthen solidarity and cohesion between people in Europe
8. Take the interests of employees and consumers into consideration in trade policy
9. Break up the power of economic lobbies and make political interests visible
10. Design the EU and its decisions to be more democratic and more participative

Introduction

The newly elected Parliament for the years 2014 to 2019 has come together and decided on a president for the Commission. In coordination with the Member States, he has proposed the other members of the European Commission, who have now been appointed by the European Parliament and the European Council as the College of Commissioners. The new President of the Commission, **Jean-Claude Juncker, already presented the guiding principles of his work, which he described as a "new start for Europe", to the Parliament when he was elected.**

Nearly half of the 751 elected Members of the European Parliament have been elected to the Parliament for the first time and are thereby new to their office; the structure of the Commission has been remodeled. Not least, **a new President of the European Council was appointed** in the person of Donald Tusk.

This provides an opportunity for European decision-makers at different levels to be given a guiding principle **for a real political new beginning in the European Union.** In this position paper prepared by the Austrian Federal Chamber of Labour (AK), ten policy fields in which **a change of course appears to be most urgent** are explained.

There needs to be a paradigm shift in order to subsist with the citizens, to win trust and to achieve social progress. The basic principle is to move away

from the supply-side focused, liberal economic market ideology, in which the aim is to push back the social welfare state as far as possible on the way to deregulation and privatisation, steering instead towards an integrated economic view where the demand side and the public sector are also appropriately involved. In detail, what is therefore required is to achieve **public investments** in the social and ecological infrastructure, a **coordinated demand-oriented tax policy** and **room to manoeuvre in terms of budget policy**, in order to **substantially reduce unemployment (especially among Europe's youth), sustainable growth, more and better employment and fairly distributed wealth**, so as to **regulate financial markets and diminish these**, reduce **economic and social inequality** and also provide the Economic and Monetary Union with a **Union of democracy and a social union** at its side. **It lies within the hands of the new European decision-makers to adopt the path towards such a union. The AK will support every decision-maker, every Commission member and every delegate who is prepared to usher in this trend reversal in Europe.**

"The measures taken to overcome the crisis [...] were successful overall. Mistakes did however occur. **There was a lack of social fairness. Democratic legitimacy suffered...**" (The President of the Commission Jean-Claude Juncker, addressing the EU Parliament on 15 July 2014)¹

Deeds must follow these words of the President of the European Commission! Now as before, the major so-

¹ Juncker, Jean-Claude (2014): A new start for Europe – my agenda for jobs, growth, fairness and democratic change, http://ec.europa.eu/about/juncker-commission/docs/pg_de.pdf

cial problems and causes for the crisis remain unsolved. **The power of the banks and the financial industry** remains unbroken, the **unequal distribution of wealth** is destroying social cohesion in our society, the employment situation is escalating dramatically in many parts of Europe, the economic and a social gap continues to exist between the Member States, far too little is being done about the environmental and climate crisis which is becoming ever more explicit, and **the weakening and, to some extent, suppression of democratic participation** is advancing.

What then is required is a **new European policy** that

- prevails over the currently too restrictive **rules and provisions in budgetary and economic policy** and that **enables and carries out public investments in the social and ecological infrastructure,**
- **fights (youth) unemployment,** strengthens **European solidarity** and takes essential steps towards a **European social union,**
- limits the **power of banks, financial markets and lobbies** and provides for **fair distribution** and fair, **coordinated taxation,**
- **strengthens domestic demand** and directs the **internal market** as well as trade policy **towards the interests of employees and consumers,**
- makes the European Union **more transparent, more democratic and more participative.**

The AK position in detail

1. The Agenda of the President of the Commission

On his election to the European Parliament in Strasbourg, the new **President of the Commission, Jean-Claude Juncker, presented his guiding principles for the work of the next five years (“A new start for Europe”)**. In his analysis of past crisis policy, the new President did identify approaches to bring about policy changes. In his observations, he showed how mistakes have occurred in recent years, that social fairness has suffered and that the most important task would be **“to rebuild bridges in Europe after the crisis.”**

This awareness regarding the **unequal distribution of wealth and income, the unequal emphasis on the real economy compared to the financial economy, the distribution of power and democratic participation opportunities** between business interests and employees, the **gap between the trade balances of the Member States (countries with export surpluses vis-à-vis countries with import surpluses)**, in brief, this awareness for those problems that were a cause or a product of the crisis(es) and political responses since 2007, should be, from the point of view of the AK, an essential cornerstone for the policy of the European institutions’ next periods of office.

From his analysis, Jean-Claude Juncker derives the following **ten key policy areas** for the work of the Commission:

1. A new boost for jobs, growth and investment
2. A **connected digital single market**
3. A resilient **energy union** with a forward-looking climate change policy.
4. A **deeper and fairer internal market** with a strengthened industrial basis
5. A deeper and fairer **Economic and Monetary Union**
6. A reasonable and balanced **free trade agreement** with the US
7. An area of justice and **fundamental rights** based on mutual trust
8. Towards a new **policy on migration**
9. A stronger **global actor**
10. A union of **democratic change**

However, these guiding principles do not sufficiently reflect **the new start and efforts towards “rebuilding bridges” addressed by the President of the European Commission, Juncker**, even if individual points addressed are no doubt starting points for a modified policy.

In this respect, it was announced in the area of employment policy that in the next three years, up to 300 billion Euros would be mobilised as additional public and private investments for the real economy. The question of how this investment strategy is to be organised poses itself; here the focus should lie on enabling public investments in social and ecological infrastructure. At the same time, however, **in general, the room for manoeuvre in terms of budget policy should be increased, for example in the shape of the “Gol-**

den Investment Rule” or in the shape of greater latitude in terms of time (see 2.1). Commission President Juncker has also announced that he will provide for jobs and growth by increasing support for SMEs and further taking the burden off them, as “SMEs are the backbone of our economy.” In turn, however, **employees are the backbone of SMEs. Taking the burden off them should be at the focus** as this strengthens domestic demand which is especially relevant for SMEs.

In the area of the **internal market**, the **strengthening of purchasing power and domestic demand are not addressed**. It is rather that better access options for financing for companies are at the forefront; strengthening of the internal market should then take place primarily in terms of the supply side. **From the point of view of employees as well as from the point of view of economic policy this approach is simply insufficient** (see 2.5). A positive thing to note is that the combat against tax evasion and tax fraud, stricter controls of the banks, the principle of the same pay for the same work at the same place and the promotion of a financial transaction tax as well as a **common consolidated corporate tax base** are being addressed. In order to guarantee that multinational concerns are also taxed appropriately, the application of the assessment basis has to be compulsory, a minimum tax rate (see 2.5) has to be determined and a distribution system has to be established that guarantees a distribution of tax income to the Member States according to the actually achieved net product. Achieving these points is **inseparably linked to the question of how decisions** on European tax issues will be made.

The President of the European Commission has set **ambitious goals for**

the next Commission in the area of energy efficiency and in terms of the development of renewable energies.

This is undoubtedly positive, even if the decrease in emissions of recent years can also be traced back to the decrease in industrial production in the first years of the crisis in Europe.

In the area of the **Economic and Monetary Union**, the President of the Commission announced a review of the recent tightening and advocated **stronger democratic legitimization and accountability** for the Troika programme (IMF, ECB and the Commission). In itself, this has to be endorsed, even if of course accountabilities and parliamentary controls alone do not bring about basic change as regards the interests of the protagonists, and the previous programmes of the Troika were to be rejected, not only because of deficient parliamentary control and participation opportunities, but above all too **due to the one-sided austerity-oriented policy of cutbacks**. The announced “initiatives to deepen our Economic and Monetary Union” are to be seen very critically; further tightening – for instance, in the form of mandatory structural reforms for the Member States – is to be clearly rejected.

In **stability programmes** in the future, carrying out a **social impact assessment** is also planned – it needs to be seen what ramifications such an impact assessment would have **if social minimum standards below which the EU must not fall are not also defined at the same time** (see 2.3). Additionally, **greater transparency** in respect of lobbyists and intensified relations to national parliaments (however not to the European Parliament) was announced.

The newly elected President counts on more emphasis on the High Represent-

tative for Foreign Affairs and Security Policy as well as on a common asylum policy and a **“new European policy on legal migration”**. In addition, in the next five years, there is to be no further enlargement of the European Union. The aim is to strengthen **the mutual security and defense policy**. It is especially problematic in this context **that bottlenecks in budget policy and finance are used as a reason for needing to shift national state defense tasks to the European level**.

According to the Commission President, the focus in foreign and free trade should be on transparency in the negotiations with the USA; there should **be no special rights of action for US investors**. Both these points are also being demanded by the AK; however this position is not sufficient especially in the context of the TTIP negotiations (see 2.8). **The protection of European labour law standards is not mentioned in the guiding principles of the Commission President**.

Not least, there was a demand for **stronger judicial cooperation, a joint cross-border combat against crime and terrorism, but also protection against discrimination, the protection of basic rights and the right of law** as well as a fast implementation of the admission of the Union to the European Human Rights Convention. There is no question that the European Union is especially significant with regard to the aforementioned points, especially when rights to freedom are the subject of discussion in individual Member States.

Individual points in this package are worthy of support. However, other essential areas are missing entirely. The protection of the environment, na-

mely answers to the global and European ecological challenges are missing entirely – apart from the declarations related to climate policy. Environmental protection policy is not made up solely of climate protection policy. The President of the Commission does not admit that the failure of the European crisis policy is above all due to a one-sided focus on a expenditure-focused consolidation of budgets, austerity and competition oriented towards price. Indeed, he points out that **“the solidity of public finances are as important [...] as social fairness”**; what is however **missing in the derivations is a section on European social policy and on concrete policy changes**. Even though selective statements such as Jean-Claude Juncker’s clear commitment to the implementation of the principle of **“the same pay for the same work at the same place”** can be supported without any reservation, employees in their role as consumers are to a large extent pushed to the back.

It is thereby to be feared that the EU as a social union, as a field for improved equal opportunities, as a political space in which employee rights are not cut back but rather built up, **will only be reflected in the headings of the declarations of action**, while the interests of the wealthy, the concerns and the financial industry will continue to show up as the actual results of political action. For this reason, **AK is providing ten alternative policy guiding principles**, which can be found in the following sections, for the new policy decision-makers.

The European Union “shall combat social exclusion and discrimination, and shall promote social justice and protection[...]” (from Article 3 Para 3, EU Treaty)

2. Ten policy guiding principles for 2014 to 2018

2.1. Orient budgetary policies in the European Union towards the core targets of the Europe 2020 Strategy

Now as before, what counts – as the basic overarching line of action for EU policy – is the Europe 2020 strategy decided on in 2010¹. In this, policy targets for the years up to 2020 are defined by the European Council on the suggestion of the Commission. They are by and large worthwhile goals, even though they are implemented inconsistently, namely:

- An **employment rate** of 75% for those aged 20–64
- 3% of the EU's GDP to be invested in **research and development**
- **Reduction in greenhouse gas emissions** by 20% as compared to 1990, an increase in the **share of renewable energies** to 20% and an **increase in energy efficiencies** of 20%
- Reduction in the rate of school-drop-outs to under 10% and an increase in **the proportion of people having completed third level education** to 40% for those aged 30–34
- At least **20 million fewer people in or at risk of poverty** and social exclusion

These targets should have acted as the supreme guiding principle of EU policy in the years up to 2020, which was also what was decided in principle. As the achievement of the objectives is however mostly no longer on course to date, **the strategy is being reviewed by the**

¹ For this, see: European Commission Communication (2010): EUROPE 2020 – a strategy for smart, sustainable and inclusive growth, <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2010:2020:FIN:DE:PDF>

European Commission. A consultation was recently carried out, the results of which should be integrated into the review **at the beginning of 2015**. This offers an opportunity to adapt the strategy. In any case, qualitative aspects should be added to the objectives here. The employment objective alone is to be welcomed, but insufficient, and a **youth employment goal** and aspects on the quality of work should definitely be added.

The main problem, however, does not lie in the targets, but rather in their implementation. Through the tightening of the Economic and Monetary Union, the strategy has completely moved to the background.

With the introduction of the European Semester (a procedure for preparing policy goals at the EU level and suggestions to national parliaments before the national budget preparation process), the “six pack”/“two pack” (here the national states were obligated not only to not generate any undue deficit but also to cut back their debt level, to rely on “structural reforms” oriented towards price competition or to communicate their budget plans to the Commission in advance) and the Fiscal Compact (a contract under international law outside of EU law, which makes even stronger budget discipline binding), the **Europe 2020 targets were to an increasing extent replaced by the goal of budget discipline, expenditure-focused budget consolidation and a one-sided orientation towards price competition.**

The strategic targets decided on therefore stand in glaring contradiction to the rules implemented. The goals mentioned above, as also the policy options mentioned in this paper require **an offensive investment and**

employment policy: in short, an expansive demand-oriented fiscal policy. The budget and economic policy rules and procedure of the European Union or the Fiscal Compact do not, however, allow this and are leading, on the contrary, to austerity programmes and to increased pressure on wages and working conditions. All in all, this is resulting in a sensitive weakening of the demand side and hence, economic development. This contradiction must be solved before the EU can be brought back on course because a trend reversal in economic and social policy is required, a stop to the attacks on wage agreements and wage calculation systems – **an end to austerity!** For real reorientation to happen, at least the following principles have to be valid for the coming years:

Challenges

- The targets of the Europe 2020 strategy **must move to the forefront**. Budgetary policy considerations should be oriented towards the strategic goals and not the opposite. This must be borne in mind in the context of the **evaluation of the economic governance** announced for the first year of office of the Commission.
- The, to some extent, ruinous stipulations for Member States must be examined and revised. Beyond this, **more time for implementation** of the stipulations and to reach the budget goals must be given to the Member States. In this respect, more emphasis should be put in the direction of working towards strengthening the revenue side of the public sector (e.g. via wealth-based taxation).
- The **procedure in the case of macroeconomic imbalances** must be revised. Sanctions and reassessment by the European Commission in the decision making have no basis in the European Treaties. There must be legal clarification to the effect that countries with performance balance surpluses and deficits are treated equally.
- The current, too restrictive fiscal rules are to be rejected. There must be at least one stipulation according to which **specific public investments are exempted from the deficit calculation (“Golden Investment Rule”)** and **corresponding European and national investment programmes**. This could be achieved through a Socio-ecological Investment Protocol, which lays down, that investments for the future are not included in the calculation of the structural deficit nor in that of the deficit in relation to the gross domestic product. This way, the Member States would be compelled to a less employment-unfriendly budget policy; they could make macroeconomically valuable social-ecological investments and thereby strengthen the potential for long-term development.
- The economic crisis laid bare the insufficient cyclic stabilising function of fiscal policy in the monetary union. In the long term therefore, the aim is for an **automatic cyclic stabilising mechanism**. As unemployment has a particularly strong fiscal effect or, as the case may be, exhausts the national automatic stabilisers, such a mechanism should **tie in with the fluctuations of the unemployment rate**.

- A further tightening in respect of the Economic and Monetary Union – e.g. in the form of **“Pacts for Competitiveness”** in which the Member States are obligated to implement neoliberal structural reforms – is to be completely **rejected**.

2.2. Limit the power of banks and financial markets

The repression of the financial markets is one of the central projects that could break the dominance of neoliberalism. The **upshot of the crisis** came from the **financial markets** that are most characterised by liberalisation and deregulation. The financial sector, inflated beyond all measure, must be pushed back. Too much capital is flowing into financial speculation and not into the real economy.

The European Commission and EU legislation organs have indeed moved a step forward on the way to supervising and regulating the financial markets in recent years, but there are plenty of **areas still in need of improvement**. Above all, the vicious circle whereby profits flow to the owners and bonuses to the managers, but risk is carried by the public sector, must finally be broken. We need extensive adjustments.

Challenges

- A rapid solution is required for the problem of the banks that are too large, too networked and too complex for them to be able to **go into insolvency without posing a threat to the financial system and the political economy**. The banking union that the European Union has got off the ground is an important first step in this direction towards better cross-border supervision
- and the creation of a standard liquidation mechanism whereby first of all the shareholders and creditors are made to discharge their duties. Regulation must go further however. Banks must separate their risks more clearly. The decision regarding the liquidation of a bank has to be able to happen quickly. The liquidation fund that the banks must finance has to be more comprehensively endowed and be able to be used earlier. Equity rules and debt rules for banks have to be created in such a way that they are solid enough to avoid them running the risk of insolvency even in the case of a crisis.
- It is also important to regulate the **shadow banking system** (alternative investment funds such as hedge funds and private equity funds etc.) and to put a stop to non-transparent trading far away from regulated exchanges, as well as high frequency trading. The lacking regulation makes it easy for financial market protagonists to manipulate interest rates, currencies and commodity and energy prices. Likewise, trade in specific financial products, such as in the area of speculation with foodstuffs, must be drastically limited.
 - A central claim is the rapid **introduction of a financial transaction tax** with as broad a base as possible, as this represents a fair contribution from those responsible for the crisis as well as a means for regulation (e.g. in order to contain the high frequency trading already mentioned). It is therefore a question of fairness as well as of crisis management.

2.3. Towards a social compact! Put a stop to the social crisis and give Europe's youth a future

Not only the **glaringly high youth unemployment** of over 50% in some of the Member States shows: particularly in employment and social policy, there is a major gap in the EU between objectives and reality. Although, the issue at hand relates to **existential issues** – secure and good jobs, good income, the best possible educational and training systems, and a high level of social protection are of central importance for the immediate living circumstances of people in Europe. The argument that the EU has no exclusive competence in this area and can therefore assume no responsibility in this regard is often put forward. But this has been an incorrect and futile excuse already since the Treaty of Maastricht. Most recently, the neoliberal reform alliance intervened even more clearly in the reality of the lives of millions of Europeans with the tightened fiscal policy standards of the EU and in the framework of the Troika policy during the crisis, and cannot simply deny the responsibility of the EU.

In the context of the **Europe 2020 strategy** addressed above, the EU has set the goal of, among other things, raising the employment rate among women and men aged 20 to 64 to 75% and reducing the number of people threatened by poverty and social exclusion by 20 million. The EU is far away from both core objectives – not least because of the neoliberal crisis policy – and will also not achieve them without a clear policy trend reversal! Even the highly touted European Youth Guarantee – the most important policy approach towards fighting the **dramatically high youth unemployment** – is only making a sluggish way forward. Through the

Youth Guarantee, all young people up to the age of 25 should be provided with a qualitative job or a training post within 4 months.

Challenges

- The **employment target of the Europe 2020 strategy** should be supplemented by qualitative aspects; aspects of a social dimension, the employment rate for women and, above all, youth employment must be brought out more as central themes. What is therefore needed is **separate European goals for the substantial reduction of youth unemployment and an individual integrated guiding principle on youth employment**.
- This requires the **fast and effective implementation of the European Youth Guarantee through additional funds in the European Social Fund and through the strengthening of national youth programmes**. Existing hurdles that are an obstacle to withdrawing funds provided for employment projects in the Member States have to be dismantled. The successful Austrian model of dual training should serve as a best practice example for European and national strategies and programmes.
- The **funds for the European Social Fund have to be significantly topped up**. Even though unemployment is reaching record numbers, funds for the European Social Fund have been stagnating since the beginning of the crisis. Besides, existing hurdles to withdrawing existing financial resources must be dismantled by the Member States.

- Additionally, a **special investment programme for combating unemployment** is required at EU level. Funds that have not been withdrawn from the European Social Fund **should be used to combat unemployment**.
- The creation of **qualitative, high-value, secure and well-paid jobs** must represent the core of the EU employment strategy. In the announcements of goals by the Commission, the qualitative aspect of workplaces is almost universally missing! The casualisation of the working world, in other words the growing share of those marginally employed, agency workers, temporary employees, part-time workers and “working poor” as well as the increasing physical and mental pressure on the employees must no longer be ignored in EU policy, and thereby tolerated.
- **Overcoming (wage) discrimination of women on the job market and increasing the share of women in occupation** has to be a part of every employment strategy. This is only indirectly addressed at present in the Europe 2020 strategy.
- The establishment of social **minimum standards, including the anchoring of minimum wage levels** at the national level (while fully safeguarding national wage agreement systems and the autonomy of the social partners), **measures against wage and social dumping**, social investments as well as committed combating of wage and social dumping through the universal establishment **of the principle of the same wage for the same work at the same place**.
- In view of the high unemployment, the employment objectives and the continuously rising work productivity, coordinated intelligent **models for a reduction of working time** must be driven forward across Europe, without weakening domestic demand in the process.

2.4. Enforce public investment in social and ecological infrastructure and enable a sustainable industrial policy

In the “crisis countries”, public investments in the last five years have been reduced to a large degree. This drop amounted to one fifth in total in the Eurozone. This development is alarming. Especially in times of a difficult economic crisis, public investments are the **most effective means to revive the economy** and play a central role for growth, employment and fair distribution. In contrast to this, the Europe-wide austerity policy is reducing growth potential and thereby increasing debt levels at the same time. The EU crisis policy must finally focus on this correlation, which has been confirmed by numerous studies.

Investments in social and ecological infrastructure create a “multiple dividend”;²the **improved social infrastructure** (childcare, care, education, social housing, etc.) increasingly also becomes a motor for growth and employment! Such investments are however not only important in economic terms, but also mean above all an improvement in living and working con-

² On this, see: Buxbaum, Adi (Hg.) (2014): Perspektiven für sozialen Fortschritt – Sozialinvestitionen haben eine Mehrfachdividende, [Prospects for social progress – social investments have a multiple dividend] http://media.arbeiterkammer.at/wien/PDF/studien/Sozialpolitik_in_Diskussion_16

ditions. Developing childcare and care services is also a basic condition for the improvement of opportunities for women on the job market, as well as for combating the high gender-related wage differences.

The finiteness of the resources that we take from the environment and the limited capacity to absorb emissions are coming ever more clearly into focus. It is therefore necessary to make the EU a resource- and energy-efficient economic zone, whose development is not bought at the cost of other states. A production and economic mode that satisfies these principles also requires a good, functioning, technical infrastructure that takes into account social and ecological requirements.

Unfortunately, through the current fiscal rules, it is being made difficult or even impossible to finance infrastructure investments through (at present very reasonable) credits. Therefore, leasing and PPP models are being resorted to, which benefit above all private financial investors. The claims are therefore also to be seen in **the context of a demand for flexibilisation of budget rules** (see 2.1.) and the strengthening of the revenues side in the public sector.

Challenges

- Public investments have to be massively extended. A central point, however, in addition to the pure increase in volume is to incorporate it into a Europe-wide coordinated investment strategy and direct it purposefully according to **social and ecological criteria** so that it increases the long-term development potential of the European national economies.

- This means **public investments** in the **ecological infrastructure**, e.g. in renewable energies, climate protection (district heating expansion, heat insulation, making public transport more attractive, etc.), research and development directed towards this (eco-innovations) and **social infrastructure** (childcare, care, education, social housing, etc.).
- In order to actually achieve the energy and climate goals by 2030, and in order to create the required investment certainty, these goals have to be bindingly specified **at the EU level as well as at the level of the Member States**. At the same time, attention should be paid to **taking the objectives of other economic zones into due consideration**, ensuring that competitive distortions do not occur in the Austrian and European industry sector, and that the promotion of the reduction of emissions is accompanied by job market policy measures. Investments, industrial policy, climate objectives and social-political measures are to be seen as an **integrated overall strategy**.
- This requires Europe-wide consensus and **that the public sector be responsible for covering basic needs** and can provide the public funds necessary for this.

2.5. Redistribute income and wealth in order to promote domestic demand

In the past decades, dramatic **imbalances in the distribution of revenue and wealth** have occurred. A study on behalf of AK dating from the year 2011 shows that this was one of the central

causes of the financial crisis³. Unequal distribution has two consequences: on the one hand, ever more wealth is piled up with a small layer of rich people, and this wealth is placed in financial markets inflating them. On the other hand, domestic demand is weakened because the wage rate is continuously sinking.

Today it is more necessary than ever to reverse this upward redistribution – for instance, by means of higher taxes on high income and wealth and a wage policy oriented towards productivity and inflation, which recognises the importance of wages as a factor in stabilising demand. One-sided orientation towards price competitiveness fails to recognise the demand factor. Without putting the distribution imbalance in wealth and revenue built up over years even in Europe to right, we will not overcome the crisis. The issue of the financing of public investments (see above) is also directly connected to this.

Challenges

- An approach coordinated across the EU, especially with regard to taxes on **wealth, inheritances, top incomes, capital gains and company profits** has to guarantee the necessary resources for an extensive growth and employment policy. The IMF also sees scope in many developed countries to achieve more revenues at the top of the in-

³ Stockhammer, Engelbert (2011): Von der Verteilungs- zur Wirtschaftskrise] Die Rolle der zunehmenden Polarisierung als strukturelle Ursache der Finanz- und Wirtschaftskrise, The role of increasing polarisation as a structural cause for the financial and economic crisis http://media.arbeiterkammer.at/wien/PDF/studien/Studie_Stockhammer.pdf

come distribution scale. This is also valid for “crisis countries”. Especially in the area of the taxation of high wealth, credible efforts must be made EU-wide.

- In the area of **corporate tax, a common consolidated tax base AND a minimum tax rate** are required in order to prevent concerns and the wealthy shifting their profits. Future EU-enlargement must be coupled to tax policy reforms. An EU-wide minimum tax rate and a common consolidated corporate tax base have to be an important criterion in terms of the EU’s capacity to accept further membership aspirants.
- The fast introduction of the **financial transaction tax** on as broad a basis as possible (see 2.2).
- Effective measures against **tax fraud, tax evasion and aggressive tax planning**. This could enable guaranteeing further funds for the necessary investments. In fact, the EU Member States lose around **one billion euros** yearly through this. In the medium term, what is required across Europe is **better cooperation for combating tax evasion** as well as, reaching further, stronger **international networks for tax auditing of multinational concerns**. These tasks should be coordinated as far as possible with the BEPS Project of the OECD and initiated by the G20 states. Likewise, a **notification obligation for banks and financial service providers for capital transfers in tax havens should be introduced**.
- The Commission must also act in a stronger and more targeted manner against individual tax regimes

that additionally facilitate the aggressive tax planning of multinational concerns in individual EU Member States. In this area, the grant provisions in competitive law should be brought to bear more, as these represent a suitable instrument for prohibiting unjustifiable rules.

- In order to be able to act in a coordinated way regarding distribution issues, changes in legislation and the **abolition of the principle of unanimity (see 2.10)** are required in the long term. As long as this does not happen, there is also the possibility that the Commission pushes the instrument of stronger cooperation in order to enable a coordinated mode for as large as possible a number of Member States, in those areas in which no solutions occur due to the principle of unanimity.

2.6. Direct the internal market towards the interests of people and reinforcing public services

The internal market policy of past decades was nearly exclusively oriented towards the goal of providing companies optimal exploitation and profit conditions. In contrast to earlier approaches, the interests of employees and consumers were left by the wayside. What is required is a turning away from a distorting competition, which is launching a downwards spiral. The internal market has to be understood as being a **common market with a high level of social and ecological standards** that are the pre-requisite for productivity increases.

At the same time, competition law must not increase the pressure on public de-

livery of **services** (reaching from education through to transport and water). The performances of public services must be kept qualitatively high and be delivered efficiently – under fair conditions for the employees. For citizens, equal access, supply certainty, continuity as well as a high level of quality, reasonable prices and social balance must be guaranteed. For people, the manifold (public) services, e.g. in terms of rubbish disposal, postal services, telecommunications, transport and water are indispensable. Companies in liberalised markets react above all by lowering costs; especially in labour-intensive sectors it is self-evident for companies to reduce their costs by reducing employment.

A (legal) readjustment which enables the **democratic and public organisation of the economy** is required as an initial project in an internal market policy that places the individual at the focus instead of promoting a race to push standards down. Politics must no longer hide behind the decisions of the European Court of Justice, which has, with its adjudication regarding market freedoms, a substantial share in the development of this competition of legal orders and thereby also to social and wage dumping.

Challenges

- The aim of the internal market policy has to be a **discrimination-free** internal market supported by uniformed standards in social and environmental law (“positive integration”). The ECJ’s view, that market freedoms are above social rights and the exercise of **basic trade-union rights**, has therefore to be politically confronted. In this context, a **Social Progress Proto-**

col (also see 2.10) at the level of EU primary law is necessary, in which unambiguous **precedence for social, democratic and trade-union basic rights vis-à-vis EU market freedoms is determined**. This ascertainment must be a part of any treaty amendment.

- **Discrimination-free, comprehensive and affordable access to public services** has to be guaranteed. Positive reforms that lead to better and more effective public services (e.g. in the form of public-public partnerships) should be promoted and used.
- **Mandatory competitive bidding** is verifiably linked to great dangers, which threaten a large number of jobs. Mandatory bidding for rail transport among others is therefore to be strictly rejected.
- In corporate law, there should be a **turning away from a one-sided shareholder orientation** and a shift in direction in terms of democratic policy. Companies have a range of interest groups (employees, suppliers, the state, the public and the environment) whose rightful interests must be respected. A one-sided view of companies, from the point of view of the owners and lenders, is to be rejected! A stop must be put to opportunities to escape co-determination through corporate litigation changes at the EU level.
- **Comprehensive co-determination for employees** is an essential contribution to achieving production that is oriented towards social objectives and therefore has to be implemented in all corporate law

forms (see the current debate on single-member companies) within the domestic market.

- Ongoing efforts directed towards the examination of the EU body of law (keyword: REFIT) should not in any way remove **participation and co-determination rights from trade unions and works councils** nor the pursuit of public interests.
- **The alarming trend in EU consumer protection** away from European minimum standards in favour of consumers, towards fully harmonised – often lower – standards in favour of companies has to be halted.

2.7. Strengthen solidarity and cohesion between people in Europe

Although not all EU states have introduced the Euro as a common currency, an enduring **stabilisation of the Eurozone** is of major importance. In the case of a **breakup** of the euro area, bitter losses for the employees in Austria would have to be expected, especially a substantial increase in **unemployment**. Curbing the crisis through setting up rescue packages and spending money for this was the right decision, as an uncontrolled crisis would have endangered the – now as then unstable – European banking system and thereby also the **economy and jobs**. Nevertheless, it must now be guaranteed that banks and other financial market protagonists – that contributed significantly to the crisis – are also brought in now to cope with the crisis costs.

The previous opportunities have instead been squandered: the terms defined by the Troika and Euro states **prescribe social dumping and cutbacks in public**

and social infrastructure⁴. At the same time, massive pressure is being put on wages and working conditions. This policy is the opposite of solidarity.

Instead of dealing with the causes of the financial crisis, the dominant policy in Europe **has allowed the crisis to become the daily routine** and caused poverty and unemployment. However, such a policy is less and less reconcilable with democracy and human rights. This illustrates the components of the crisis policy up to now and their common pattern: they are not only oriented in a neoliberal way, but are also to some extent contrary to European law and weaken parliamentary democracy.

If European policy wants to redeem its claim to cooperation showing solidarity, it has to foster a different understanding of solidarity.

Challenges

- The restrictions determined by the Troika in the context of the austerity policy have to respect **the accomplishments of the welfare state** and be oriented towards **distributive justice**. If European politics do not want to endanger the European project, the banks and the wealthy in the affected countries in particular must pay their contribution to financial stabilisation, and not the employees.

⁴ On the austerity policy's intervention in basic and human rights, see : Fischer-Lescano, Andreas (2013): Austeritätspolitik und Menschenrechte, [The austerity policy and human rights] http://media.arbeiterkammer.at/PDF/Studie_Austeritaetspolitik_und_Menschenrechte.pdf

- **Strong trade unions** build the backbone of the European welfare state. Their forms of action, based to solidarity (from wage agreement negotiations to strike measures), represent an important foundation for social progress and social redistribution. The reduction of trade-union power through European policy (the Troika's pushing of company wage agreements rather than broad-based wage agreements) and jurisdiction (the European Court of Justice puts market freedoms above basic rights) **has to be retracted**.
- **Social dialogue** maintaining the cooperation of the trade-union and company sides has to be strengthened in EU policy. Agreements between social partners have to be respected in full at all levels by the Commission.
- The **European Union Budget** has to be more strongly oriented towards social goals. Currently the major portion of EU funds are flowing to agriculture – and therefore above all to large agribusinesses. This is no longer justifiable in view of the major challenges we are facing in Europe.
- The **EU expansion policy can only be a social project** if the major wealth gaps are redressed. People being forced to leave their home countries through social hardship and lack of prospects must be prevented. In order to guarantee the capacity to absorb new Member States, **comprehensive EU-wide minimum standards** in social and distribution policy (e.g. a common consolidated corporate tax base

and a minimum corporate tax rate) are a pre-requisite.

2.8. Take the interests of employees and consumers into consideration in trade policy

The EU's foreign trade and investment policy must be entirely realigned. The long-term liberalisation obligations in trade agreements (such as TTIP, CETA and TISA) **threaten public interests**, especially the social welfare state and democratic scopes for action. The goal must be fairer trade that puts social and ecological objectives at the focus instead of burying these. At present, the EU is negotiating, among others, investment agreements with the USA (**TTIP**) and Canada (**CETA**), which harbour a multitude of dangers for the interests of employees and consumers.

Challenges

- **EU-negotiation documents** must be **publicised** to enable a broad public discussion on EU trade policy and its expected impacts.
- **No privileged investment protection provisions with investor-state dispute resolution mechanisms for foreign concerns in free trade agreements.** Foreign investors must not be granted the exclusive right to bypass national courts and sue states before private ad-hoc courts in order to combat policies for the protection of public welfare.
- The focus of free trade negotiations is the harmonisation and reciprocal recognition of standards and regulations. In this, it must be guaranteed that **protection standards for employees, consumers, health and the environment** remain preserved or that their future elevation is not restricted.

- **Public services** such as education, health, water supply and so on belong in public hands and must be **excluded** from trade agreements.
- **No wage dumping and no social dumping:** Austrian labour and social law as well as wage agreement provisions must on no account be undermined by trade agreements. Violations of these provisions have to be entirely sanctionable.
- **Internationally recognised labour standards and environmental agreements** have to be bindingly anchored and also enforceable in trade agreements. **No competitive advantage** to countries with lower social and environmental standards should arise from trade agreements.
- Recently, the Commission carried out a public survey on the controversial investor rights in TTIP; **the results of the consultation and the contributions from trade unions, NGOs and numerous thousands of private persons have to be taken into consideration by all means.**
- The AK demands a **suspension of the entire negotiations** with the USA – and a **fundamental change of course** on the part of the EU with regard to TTIP.

2.9. Break up the power of economic lobbies and make political interests visible

With the onset of the crisis at the latest, it became clear that there is a serious imbalance between the profound economic integration of the Union and its political-democratic integration. While the Union has taken on central state functions, **democratic control and**

power to shape policy have not developed correspondingly in tandem. This is not – as is so often claimed – a construction fault; on the contrary, in the opinion of many observers European democracy was quite deliberately pruned **to meet market needs**, in line with neoliberal theory.

The crisis policy has again accentuated this trend as a large proportion of the new instruments (e.g. economic governance and fiscal compact) were decided on based on a defective legal base in terms of European law and are weakening parliaments at the national and European level.

- This policy of de-democratisation has to be ended. **The European jurisdiction processes and democracy must be respected by state protagonists**, as these processes ensure that the interests of business associations and the financial industry cannot be directly pushed through.

An outline of the **balances of power within the lobbies and special interest groups** which influence the decision of the EU in Brussels shows how strongly the economic camp is capable of manipulating the fortunes of EU policy at present. In stark contrast to a culture of social partnership oriented towards equal representation, there are, according to information from the EU transparency register, around 130 trade unions confronting 3900 lobbies on the business side. (Labour : Capital relationship = 1 : 30). With the addition of an estimated number of unregistered business associations and based on empirical studies, this relationship probably actually

lies at **1 : 50**⁵. A current study⁶ from 2014 shows that the financial industry alone **is represented in Brussels by 700 organisations and 1700 lobbyists that spend more than 120 million euros for their ends**. Workers' organisations and NGOs together have about one thirtieth of this budget available to them.

Likewise, representatives of the business side are also in a dominant position in the Commission's advisory bodies (**expert groups**). This is a central explanation for why, for instance, **only half-hearted results have been achieved in the regulation of the financial markets or why the EU's internal market policy is at present nearly exclusively perceived from the viewpoint of companies**.

In order to curb the power of the business lobbies, new game rules are required.

Challenges

- The **lobbyism of business interests has to more transparently presented and also pushed back**.
- A **mandatory transparency register** with sanctions in the case of missing or incomplete entries as well as corresponding **effective codes** for all decision-makers should be established.

5 Plehwe, Dieter (2012): Europäisches Kräftemessen – Europäische Kräfte messen?, [European showdown – measuring European strengths] http://media.arbeiterkammer.at/wien/MWUG_Ausgabe_113.pdf

6 Corporate Europe Observatory (2014): The fire power of the financial lobby, http://media.arbeiterkammer.at/wien/PDF/studien/The_Firepower_of_the_Financial_Lobby.pdf

- To limit the imbalance between financial and business lobbies and representatives of social partnership interests requires **strengthening social dialogue and social partnership structures with a strong workers' representation at the European level as well as at the level of Member States.**
- More **transparency regarding the members of the EU Commission's expert groups and corresponding provisions against one-sided occupation by these groups with representatives from business, financial and industrial lobbies.**

2.10. Design the EU and its decisions to be more democratic and more participative

The **European Parliament is to date the only European organ that is directly elected by the citizens of the EU.** Since the creation of the European Communities, its role has been continuously strengthened, which is to be acknowledged as positive. Up to today, the European Parliament has however not had the possibility to suggest legislative acts on its own. In contrast to the Council, it works at a supranational level and does not directly represent the interests of the national governments. **This is all the more reason for it to truly enjoy equal rights versus the Council.** In tax and distribution issues, for example, now as before, there is the possibility for individual Member States to prevent a decision in the Council, even if the European representation of the people is of a different opinion in the majority.

The internal process of the European Commission are often incomprehensible for citizens – if nothing else, the Troika made up of the Commission, ECB and

IMF is a body acting without democratic control. If the intention is to **inspire confidence over the coming years among EU citizens in the democratic processes in the EU**, the following projects must be consistently pursued.

Challenges

- The **work of the Commission must become more transparent for citizens.** The Commission makes many important decisions in the form of implementing rules. The coming about of the decisions in the so-called committee procedure must be designed in a public, transparent and comprehensible way. Contributions **introduced in the consultation process by special interest organisations should also definitely be published.**
- The **programmes of the Troika** made up of Commission, ECB and IMF stand for one-sided austerity and **in stark contradiction to democratic shaping based on partnership.** These therefore have to be revised under social and distributional policy points of view and be subjected to **comprehensive democratic control** by the EU institutions.
- As the European Union has in the meanwhile taken over state tasks in some areas, **European parliamentarianism must be consistently promoted and further developed.** Participation and control through the European Parliament must be reinforced, especially in European economic policy (e.g. macroeconomic imbalances, the European Semester and country-specific recommendations).

- **Equality within the Council formations** must be constructed; at present a strong dominance of Council of finance ministers (ECOFIN) can be discerned, while Employment, Social policies, Health and Consumer Affairs do not play an equal role.

In case there is a **modification of the European treaties**, specific democratic political aspects must **definitely be included in a redraft**. These **represent a fundamental pre-requisite** for surmounting neoliberal principles and those closely associated with the market. A possible treaty modification cannot be endorsed if at least the following points are not implemented in it:

- The European treaties should primarily regulate responsibilities, the democratic process of legislation and the essential institutions and their interaction as well as basic rights. The **rest must remain the object of political discussion as otherwise it will not be possible to correct undesirable developments**.

- **Economic dogma** such as the ban on public refinancing and rigid deficit boundaries must be **struck out** of the European treaties; the mandate of the ECB must be extended and its lack of democratic responsibility corrected.

- In a primary law "**Social Progress Protocol**", it has to be made clear that **(social) basic rights stand above market freedoms** and that the latter are only assigned an ancillary function.

- The ECJ construes market freedom extremely broadly. With this, labour and environmental law, production and social standards and consumer protection, among other things, are faced with pressure in terms of justification,

as restrictions to the free market. This is why competition between legal orders has arisen in some areas, which is bringing about a downward spiral. It must therefore be contractually made clear that **market freedoms indeed guarantee equal treatment of all (ban on discrimination) but do not include a deregulation sledgehammer (restriction ban)**.

- At present, most tax matters must be decided on unanimously by the Council; therefore a single EU Member State can prevent fair contributions being made. This **requirement for unanimity must be abolished in the long term**. **Broad European majorities in central issues of distribution** (taxation of wealth, banks and financial transactions), which would also represent an important contribution to the financing of a **European investment offensive** for social and ecological infrastructure, can no longer be blocked by the voice of one single Member State.

- If there is a **broad** consensus in the European Parliament and among the European population for an **alteration to the treaties**, this cannot fail due to the veto of a single head of government.

- The European Parliament and its parliamentary groups must have the right to introduce initiatives for legislative acts and to have a say in all areas of EU politics. The Commission and its individual members must be nominated by the Parliament and be easier to recall (**simple majority in votes of no confidence**) – only through this can a European government emerge that can also be held fully accountable for its policies. It must be possible to check each executive action and, as a last resort, it must be possible to drop it. The judges of the ECJ and the presidents of all the

European organs must in the future be co-determined as a result of a hearing conducted by the European Parliament.

- Beyond the narrow field of social policy, the **role and position of the social partners must be enhanced, promoted and strengthened** – for instance through social partner consultations in all politico-economic issues.

Should you have any further questions
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