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AK Position Paper

European Pillar of Social Rights

About us

The Austrian 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 Austrian Federal Chamber of Labour is registered at the EU Transparency Register under the number 23869471911-54.

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.

Christoph Klein
Director

Executive Summary

A number of objectives are set out in the EU treaties that commit the European Union to a social approach, for example striving for the well-being of all the EU's citizens, full employment, social progress and social justice. However, there is a considerable gap between those aims and reality. Despite the worrying employment and social situation, EU policy action is primarily driven by very tight fiscal rules and a one-sided understanding of (price) competitiveness.

Against this backdrop, the Austrian Federal Chamber of Labour (AK) welcomes the fact that the European Commission has launched a debate on the social dimension of the EU.

However, the submitted outline of a European Pillar of Social Rights falls far short of expectations. It shows little sign of any approach to substantial improvement of the EU's social dimension that go beyond the level of general principles, while some of the proposals even point in the opposite direction.

From the point of view of the AK, the following ambitious steps (among others) are necessary in order to bring about a fundamental policy change towards a social Europe:

a) Implementation of a new social action programme:

- Social progress protocol (according to which fundamental social rights take precedence)

- Establishment of minimum social standards as an agenda for social progress
- Specific social targets and indicators
- Alignment of the EU budget with social challenges

b) Putting the EU's economic policy orientation on a new footing:

- Fundamental reorientation of the EU's economic governance which needs to be geared primarily to societal progress
- Reform of European fiscal rules (including the introduction of the 'Golden Rule for public investment')
- Coordinated EU investment offensive to improve social and ecological infrastructure, in particular

c) Efforts to combat distributional imbalances in Europe:

- Change in wage policy by improving collective agreement systems
- Tax policy measures to combat unequal distribution in the EU
- Sensible distribution of working time

The AK's Position in Detail

1. Introduction and initial situation

In March 2016, the European Commission launched a public consultation on a European Pillar of Social Rights (EPSR) and presented a first preliminary outline. In the following, the BAK's key positions on the initiative are set out below. Additionally, we will also submit a specific response to the public consultation questions.

Ambitious aims – the social objectives of the EU treaties

The EU treaties commit the European Union to numerous aims and principles that are geared to a social approach to European integration. The paramount aim of the well-being of the EU's peoples and the objectives of full employment and social progress are enshrined in the primary legislation of the EU (Article 3 TEU). It is likewise stated in primary legislation that the EU shall combat social exclusion and discrimination and shall promote social justice and protection and equality between women and men (*ibid.*). The goals of European integration include social dialogue and 'improved living and working conditions, so as to make possible their harmonisation while the improvement is being maintained' (Article 151 TFEU). The aim of comprehensive implementation of the social dimension of the EU is also demonstrated by the horizontal social clause of the Lisbon Treaty, which obliges the Union to take into consideration a number of social objectives when 'defining and implementing' its policies (Article 9 TFEU).

The bitter reality – the employment and social situation in the EU

The worrying employment situation and the many social problems in the EU, however, highlight the lack of progress or even steps backward in achieving those objectives, including the social core targets of the Europe 2020 strategy. Unemployment, especially among the long-term unemployed and young people, remains high eight years after the onset of the financial crisis. According to the 'Independent Annual Growth Survey' (iAGS), at the current pace of reduction, the unemployment rates of the EU and the euro area will not return to the pre-crisis (2007) level until 2020 and 2023, respectively.¹ The Europe 2020 target concerning the reduction of the risk of poverty and social exclusion in the EU is far from within reach. Furthermore, Europe faces major social challenges owing to increasingly precarious employment, cross-border wage and social dumping and the need to shape digitalisation processes to the benefit of workers. The uneven distribution of income and wealth and the imbalance between labour and capital is undermining Europe's economic potential. In many fields, convergence among EU Member States has stalled, or the Member States are even converging towards deteriorating outcomes.²

Incoherent policy-making – fundamental policy change is needed

The EU's current social situation cannot be viewed in isolation from the structural and institutional contradictions of European integration and the crisis management policies of recent years. Even before the crisis, social objectives were in practice side-lined by restrictive fiscal rules under the Economic and Monetary Union (EMU), while fundamental social rights were made secondary to the market freedoms of the internal market. Moreover, policy-making under the 'troika' put the focus on radical austerity policy and the deregulation of workers' rights, a reduction in welfare state services and pressure to compete by pushing wages down at the core. Also the reforms of economic governance revolved around the exacerbation of tightening in fiscal rules and pressure towards the focus on a one-sided understanding of (price) competitiveness.

The EU is undoubtedly confronted with a far-reaching crisis of trust and legitimacy. The 'Brexit' vote in the EU and increasing scepticism towards the EU are indicative of the lack of societal backing for the current EU project, as well as a great deal of widespread uncertainty among workers about their (future) living and working conditions. In order for European integration to again become a project that enjoys widespread social support, a fundamental policy change towards a social Europe is necessary. Such a change needs to lay the groundwork for the EU to be able to meet the social objectives that are enshrined in its primary legislation.

2. Key criticisms of the Commission outline

We welcome the fact that the European Commission has launched a debate on the social dimension of the EU. In our view, however, the Commission outline falls far short of the expectations for such an initiative and fails to make a major contribution to the urgently needed, fundamental policy change towards a social Europe. Our key criticisms of the Commission's draft are outlined below:

Criticism 1: The draft sets out general principles instead of mandatory social rights

It remains far from clear what legal form the planned Pillar of Social Rights will take. The Commission communication notes that several legal forms are conceivable and mentions the form of a recommendation, which is far too weak for the intended purpose, by way of example. Instead of extending mandatory social rights, for the most part the outline merely lists generally formulated principles. Moreover, many of those principles leave open a broad scope for interpretation. In our view, non-binding recommendations are far from sufficient, for example with respect to the necessary extension of minimum social standards.

Criticism 2: Mandatory social rights should not be limited to the euro area

According to the Commission's outline, the EPSR should essentially apply to the euro area, with participation also being open to other Member States. While increased coordination within the euro area is needed in many fields, the BAK believes that mandatory and enforce-

able social rights need to be reinforced with respect to the entire internal market, i.e. the EU as a whole.

Criticism 3: Social objectives continue to be side-lined by misguided economic policy paradigm

The Commission outline sets out many principles that we support. For example, the draft contains principles for life-long access to high-quality (vocational) education, gender equality and universal access to high-quality, affordable child care. However, if compliance is only recommended to the Member States, the actual practical impact is questionable. Furthermore, the outline ignores the fact that, in the interest of coherent policy-making, improvement of the social dimension of the EU requires a cross-policy approach that goes beyond just social policy. If the EPSR initiative is not embedded in changes within other policy areas, the contradictions between the social objectives and obstacles to their implementation will be further entrenched. That applies in particular to the necessary reorientation of European economic policy. The initiative, for example, does not question the restrictive European fiscal rules that are hindering an increase in (social) investments in many Member States. Furthermore, the pressure to reduce labour standards (weakening of protection against dismissal, decentralisation of collective agreement systems, wage restraint, etc.) in the name of ‘structural reform’, for example in the scope of the European Semester³ is in conflict with the aim of improving the social dimension of the EU.

In our view, there must be no doubt that the ensured objectives of an initiative to improve the social dimension of the EU are the realisation of social progress and strengthening of social rights. A number of the proposed strategies and principles, however, would serve to question and undermine social rights, rather than reinforcing and extending them. That has to do with the fact that several elements of the Commission proposal are based on a paradigm that shapes labour markets on the basis of a misguided understanding of (price) competitiveness, and approaches the regulation of welfare states from a short-sighted fiscal policy perspective.

We reject such principles, some of which are indicated below by way of example (though the list is by no means exhaustive). For instance, those elements of the outline are problematic in which relatively tight ceilings are implicitly placed on the level of minimum wages and the duration of entitlement to unemployment benefits. The inclusion of the call for ‘linking of the statutory retirement age to [increasing] life expectancy’⁴ in the outline on the European Pillar of Social Rights makes no sense at all and must be firmly rejected. Categorising the intended raising of the statutory retirement age as a ‘social right’ is patently absurd.

Taking the ‘flexicurity’ approach as a point of reference is also highly problematic. Experiences to date show that in practice that approach has typically been applied very one-sidedly, by tending to focus on increased flexibility to the benefit of employers, while only addressing individual and collective safeguards for workers at a rudimentary level, if at all. Furthermore, we believe it

needs to be ensured that the Commission's 'Better Regulation' initiative does not serve as the frame of reference for the European Pillar of Social Rights. That initiative is primarily geared to lowering costs for companies, regulations that protect workers are, as a tendency, being put under pressure.

3. Demands of the AK for a policy change towards a social Europe

Some of the AK's foremost demands for a fundamental policy change towards a social Europe are set out below.

3.1. Implementation of a new social action programme

To improve the social dimension of the EU, a new social action programme needs to be created and implemented, which must involve to undertake concrete steps to improve living and working conditions in the EU. Some elements of such a programme are outlined below.

3.1.1. Enactment of a social progress protocol (according to which fundamental social rights take precedence)

The CJEU's position that market freedoms de facto take precedence over social rights, such as the exercise of fundamental trade union rights, needs to be resolutely countered. A social progress protocol needs to be incorporated into the primary legislation of the EU to that end. That protocol needs to stipulate that the economic freedoms of the internal market ensure equal treatment, but are not in principle unrestricted. It needs to be clearly stated that, in the case of doubt, fundamental social rights take precedence over economic

freedoms and competition rules. In addition, the autonomy of social partners and the principle of equal pay for equal work in the same place need to be reinforced.

Key horizontal principles of a new social action programme should also be enshrined in primary law in a social progress protocol. These include the principle of non-regression, which prevents weakening of the rights of workers and social security through legislation and measures at the EU level and their implementation, and the principle of the most favourable conditions, according to which the more favourable legal interpretation for workers must be applied in the case of conflicts of law. Since 'Brexit' will entail treaty amendments, the relevant negotiations should be used to incorporate a social progress protocol into the primary legislation of the EU.

In addition, in order to strengthen social rights, it is important for the EU to join the European Convention on Human Rights (ECHR) and the revised European Social Charter of the Council of Europe, including the Additional Protocol to the European Social Charter Providing for a System of Collective Complaints.

3.1.2. Specific social targets and indicators

In order to contribute to social progress in the EU, an agenda of ambitious, concrete and measurable goals needs to be established in the fields of employment and social affairs as a further development of the social targets of the Europe 2020 strategy, with specification of the social targets of the new 'magic polygon for well-being oriented

economic policy' (see Section 3.2.1.). Appropriate indicators are essential in order to measure progress in attaining those targets and to better survey the social situation. The standard concepts used to date have often proven insufficient.

By way of example, we propose indicating an 'adjusted' employment rate that only includes workers who have worked at least twelve hours for pay in the reference week, in addition to the conventional employment rate based on the 'Labour Force Concept' (according to which all individuals are considered to be in employment who have worked at least one hour for pay in the reference week). That would remove 'mini jobs' from the employment rate and better reflect the reality on the European labour markets. In addition, the degree of unemployment should be presented more accurately, since at present people such as those who have no job, but have given up job seeking ('discouraged people') are not classified as unemployed. It is also important that the targets and indicators are more focused on quality of work and pay greater attention, for example, to increasingly precarious working conditions and the associated increased physical and psychological pressure on workers. Moreover, specific targets for lowering youth unemployment and reducing the income gap between women and men should also be set out.

3.1.3. Mandatory minimum social standards

Minimum social standards in the form of directives play an important part in improving living and working conditions in Europe. However, there has been a

lack of such initiatives at the European level for some time now. In a new social action programme, which is responsive to current problems, legally binding minimum social standards must play a significant role. The extension of minimum social standards needs to apply to the whole of the EU to prevent distortions in the common internal market as a result of 'regime shopping'.

- **Horizontal principles**

As mentioned in Section 3.1.1, both the non-regression principle and the principle of the most favourable conditions need to be established as mandatory horizontal principles. If they are not enshrined in primary legislation, they need to be included in the relevant individual legal instruments. Social rights are only effective if they are enforceable. Effective enforcement of the rights of workers should be guaranteed by a directive that, inter alia, ensures application of the ILO Labour Inspection Convention (No. 81).

- **Extension of minimum standards to strengthen the rights of workers**

Mandatory minimum European standards need to be set, for example, with respect to general protection against dismissal, protection against involuntary relocations and a ban on zero-hour contracts. Moreover, minimum standards are required with respect to the protection of workers against mobility-restricting and unfair contract clauses and with regard to continued pay in the case of sickness, care for close relatives or other important reasons for not being able to work. Furthermore, minimum standards are also needed with respect to the

quality of internships and minimum rules for the effective penalisation of discrimination at the workplace.

Additionally, effective measures to promote gender equality on the labour market also need to be a key element of a new social action programme. That includes, for example, minimum standards for the establishment of effective instruments to create income transparency (such as mandatory workplace income reports). Furthermore, measures for the improved reconciliation of working life and family life, such as improved rules on leaves for parents that are geared in particular to the fairer division of child care between women and men, should be promoted.

A legal entitlement to paid educational leave and an obligation to provide a statutory minimum degree of professional further development during working hours could contribute significantly to the professional development of workers.

With respect to occupational health and safety, it is necessary to broaden the minimum requirements of the Safety and Health at Work Directive (Council Directive 89/391/EEC) and the relevant individual directives to include risks that have not been addressed sufficiently and also address newly emergent risks. New research findings that were not taken into account in the old directives also render new directives necessary. The EU Occupational Safety and Health (OSH) Strategic Framework 2014–2020

points partly in that direction. It is also geared towards improved implementation of the applicable law.

Moreover, minimum European standards need to be established with respect to employers' obligations to employ people with disabilities.

Minimum European standards are also needed in order to ensure and reinforce workers' co-determination in companies.

- **Establishment of minimum standards to reinforce social protection**

Mandatory minimum European standards can make a significant contribution to concrete social progress in the field of social protection too. The specification of minimum standards for unemployment insurance systems in a corresponding directive is an important project in this respect. As a first step, it should be stipulated that Member States provide a net replacement rate in the unemployment insurance system constituting at least 60% and a duration of entitlement of at least 26 weeks. At the same time, the directive should set out a step-by-step plan for the progressive increase of both the minimum net replacement rate and the minimum duration of entitlement (with reference to the preceding period of employment). If necessary, taking into account the initial situations in the given Member States, different time periods could be designated for attainment of the top level of development.

Moreover, an EU framework directive should be created that sets common principles, definitions and minimum standards for social minimum income systems that combat poverty and social exclusion.

- **Inclusion of all forms of atypical employment under labour law and social law**

One of the key challenges with regard to the social dimension of the EU is the increase in atypical and precarious forms of employment, not least in connection with the digitalisation of the world of work. That includes the pseudo-self-employment of individuals who are formally sole traders, but in reality are performing work according to a new form of dependent employment. A substantial improvement of the social dimension of the EU must tackle that challenge and take effective steps to ensure employment and social protection under labour law and social law in those areas too, including new forms of work (e.g. ‘crowdworking’). Furthermore, legal uncertainty could be reduced by introduction of a presumption rule, according to which an employment relationship should be assumed in the case of doubt.

- **3.1.4. Increased efforts to combat cross-border wage and social dumping**

An initiative to improve the social dimension of the EU must also involve stepping up efforts to combat cross-border wage and social dumping. On the one hand, this requires specific legal amendments: Combating of social dumping should be stated as a clear objective in the Posted Workers Directive. The Posted Workers Directive should also cite the Social Chapter of

the EU treaties as a legal basis. To prevent the pseudo-posting of workers, the specification of a minimum period of employment at the posting employer in the home country prior to posting and effective ways for social security agencies to combat false declarations in the home country are required. It should also be stipulated, with respect to the posting of workers, that it is mandatory for the entitlement to pay at the place of work to form the basis of the payable social security contribution. Effective inspection of that is also required. In addition, the Posted Workers Directive should stipulate that it is mandatory for employers to cover the travel, food and board costs of posted workers. It would also be essential to ensure that the safeguards of the Posted Workers Directive are applicable to all forms of cross-border employment of workers.

On the other hand, in addition to the necessary legal amendments, effective measures are required to ensure the enforceability of rights. In numerous cases, the cross-border enforcement of punitive action fails, owing to the lack of cooperation between the authorities of the Member States. The Commission is therefore urged to intensively monitor the cross-border cooperation of authorities and the enforcement of punitive action in relation to posting of workers and, if necessary, to take measures against non-compliant Member States (e.g. infringement procedures).

- **3.1.5. Protection of public services**

A comprehensive, discrimination-free and affordable access to high-quality public services must be ensured. For these cornerstones of the European social model, sufficient regulatory and

budgetary policy space needs to be given. That makes it all the more necessary to depart from the European liberalisation and the austerity approach to public services.

3.1.6. Alignment of the EU budget with social challenges

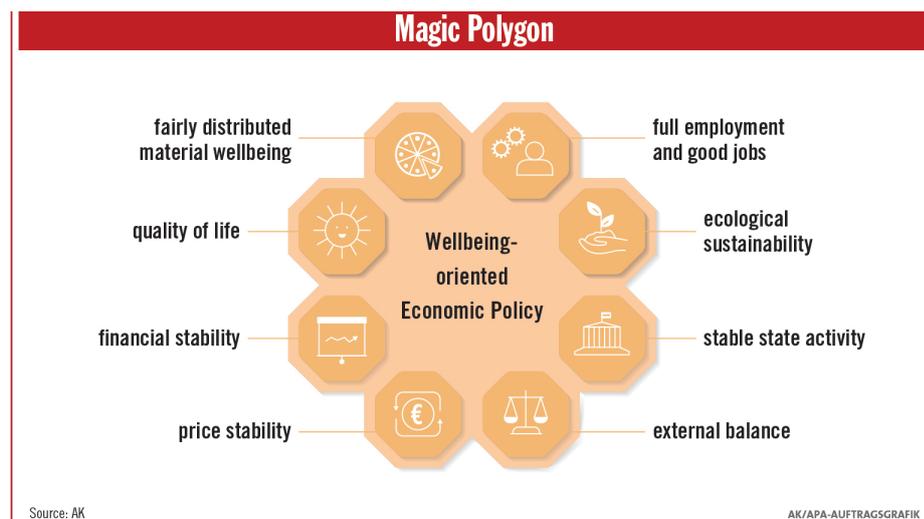
The EU budget must also be aligned more closely with social challenges. This necessitates a considerable increase in the European Social Fund (ESF). The youth employment initiative, in particular, needs to be continued and provided with sufficient additional funds. Additionally, the conditions for claiming funds should be eased by enabling access to the relevant employment initiatives once a youth unemployment rate of 10% is reached. To contribute substantially to the sustainable integration of refugees, the AK is also calling for a European employment initiative for the labour market integration of refugees, which requires accompaniment by a sufficient increase in the ESF.

3.2. Putting the EU's economic policy orientation on a new footing

The EU's economic governance is extremely one-sided. Other political objectives are treated as secondary to the primary focus on restrictive fiscal rules and a one-sided approach to (price) competitiveness. To enable balanced economic development and the attainment of social and ecological goals, fundamental reform of the EU's economic governance is necessary.

3.2.1. New 'magic polygon for well-being oriented economic policy'

Drawing on the pioneering 'Report by the Commission on the Measurement of Economic Performance and Social Progress' led by Joseph E. Stiglitz, a common framework must be created for economic, social and environmental policy. We therefore recommend a new 'magic polygon for well-being oriented economic policy'⁵. The magic polygon should comprise the following four overarching policy goals:



- Fairly distributed material well-being
- Full employment and good jobs
- Quality of life
- Ecological sustainability

In line with its historical source – the ‘magic square’ in Germany – and taking current economic governance into account, the following objectives for stable progress should be defined:

- Financial stability
- Stable state activity
- Price stability
- External balance

A set of suitable indicators for measuring progress towards those objectives is also important with respect to the debate on priorities in the scope of the European Semester.

Against the background of current challenges, it is necessary to focus at the European level on reducing unemployment, improving the quality of work, combating poverty and social exclusion, correcting distribution imbalances, increasing public social and ecological investments in particular and safeguarding the welfare state. To boost domestic demand, which would in turn improve employment and material well-being, as well as to attain the ECB inflation target and reduce current account surpluses with the rest of the world, there is a need for productivity-oriented wage and anti-cyclical policies that are stable in the medium term.

3.2.2. Active role of social policy

Within such a framework, active social policy plays an essential role with respect to attainment of the overarching

goal, that of well-being for all the EU’s citizens. Well-developed, investing welfare states are essential in order to achieve the social objectives and stable state activity.

The European Commission has itself repeatedly confirmed that those European countries with the most effective social protection systems and the best established social partnerships are among the world’s most successful and most competitive economies.⁶ In the current Annual Growth Survey, the Commission highlights the fact that social investments pay off in the medium and long term in many respects (fiscal revenue, strengthening of social cohesion, improvement of income prospects etc.) Calculations of the Vienna Chamber of Labour show the multiple dividends that such investments can have.⁷ The European Economic and Social Committee is also calling for an increase in social investments and notes that failure to act in the social sphere and a lack of social investments often results in high costs.⁸ The wide-ranging functions of social policy in general (support for people in various risk situations, stabilisation of the economy and social investments, etc.) highlight the possibilities for active policy-making.

3.2.3. Reform of European fiscal rules

Numerous scientific papers emphasise the general importance of an increase in public investments in terms of stable economic recovery. The OECD’s Global Economic Outlook 2016 points to the unusually low interest rates of most OECD countries and the fact that demand is stimulated by an expansion of public investment activity⁹. Through the returns to the state that are generated, effective

public investments also make substantial contributions to sustainable public budgets in the medium term.¹⁰ The restrictive European fiscal rules generally restrict the scope of anti-cyclical budgetary policies and prevent increases in education and social investments in many Member States, which are aimed at future social prosperity and employment. In the interest of a balanced, well-being oriented economic policy, it is therefore urgently necessary to generally scrutinise the strict European fiscal rules. The implementation of the 'Golden Rule for public investment' would be an important step in that direction¹¹. A reform of the European fiscal rules is also of paramount importance in the context of the approach set out in the Commission's communication titled 'Towards a positive fiscal stance for the euro area'.

It is essential that initiatives towards a reform of the EU fiscal rules are accompanied by an EU-wide, coordinated investment offensive. Public investments are particularly needed to strengthen social and ecological infrastructure, including investments in child care, education and training, healthcare, nursing, social housing, as well as research.

3.2.4. Reform of the European Semester

In addition, the European Semester requires fundamental reform. Key elements of the necessary reform of the EU coordination process are a broader debate about the focus of its content in the context of the 'magic polygon of well-being oriented economic policy' (see Section 3.2.1.), enhancement of the role of the European Parliament, whose right of co-determination must be ensured during all phases in the scope of

the European Semester, and the introduction of social impact assessments. The procedure for correction of macroeconomic imbalances is designed one-sidedly and unsuited to the coordination of well-being oriented economic policy. The possible sanctions that are currently provided for in the scope of the procedure, namely fines and decisions by 'reverse majority vote', do not have any legal basis in the European treaties.¹²

3.3. Efforts to combat distributional imbalances in Europe

In recent decades, imbalances in income and wealth distribution and imbalances between labour and capital have arisen in most industrial states. Without effective steps to correct the developed inequity, the social dimension of the EU will continue to take a back seat.

3.3.1. Change in wage policy by strengthening collective agreement arrangements and social dialogue

The distribution gap between labour and capital must be corrected in order to contribute to an inclusive economic dynamic. Wages and salaries are an essential factor in domestic demand and thus economic dynamism. In the context of productivity-oriented wage policy, it is necessary to put an end to the increasing under-utilisation of the scope for wage development that arises from medium-term macroeconomic productivity growth and the ECB's inflation target. That under-utilisation contributed to weak domestic demand in the euro area.

To achieve a stronger development of wages, and thus prosperity, it is imperative above all to make a decisive break with the EU crisis policy of recent years. That crisis policy has encouraged a reduction in minimum wages, general wage restraint, the decentralisation of collective agreement systems and other such requirements that have been imposed on Member States under the auspices of financial assistance programmes. EU policy also needs to plot a new course in this field and take effective steps towards ensuring and reinforcing the freedom of association, the right to collective bargaining and the right to collective measures, including the right to strike, and the right to social dialogue, through relevant recommendations and consolidated primary legislation on a social progress protocol.

It is also necessary in this context to promote wage coordination of the social partners at the European level. That requires strengthening of institutions, in particular trade unions, which are under increasing pressure due not least to poor employment development and the dismantling of workers' rights. In the scope of an EU-wide coordination by the social partners, it is also necessary to take steps to ensure that minimum wage thresholds (as a priority through an expansion of universally applicable collective agreement systems) at the individual Member State level are universally applicable and that they reach a level that ensures a decent standard of living. Moreover, the Macroeconomic Dialogue, which has been hardly relevant in recent years, needs to be revived. Such a dialogue is key to the coordination of all social and economic policy actors. Since the degree of social

policy and economic policy coordination within the euro area is greater, a separate macroeconomic dialogue for the euro area should also be established.

3.3.2. Effective tax coordination to ensure an improved basis for public revenues

The distributional imbalances in Europe also manifest themselves in the tax systems of the Member States. Unlike capital, labour is very highly taxed. Concessions for wealth-related taxes exacerbate unequal distribution. A coordinated approach is required, especially concerning taxes on wealth, top incomes, capital gains and corporate profits. For the purposes of tax justice and combating the ruinous tax competition between the Member States, the proposal for a common, consolidated corporate tax base, together with a minimum tax rate, needs to be implemented.

Moreover, a stronger fight against tax evasion, aggressive tax planning and tax havens is urgently required. This requires the rapid implementation of country-by-country reporting on multinational corporations, containing information about profits and taxes, employees, work sites, turnover etc. Measures, such as a global register in which actual ownership is disclosed, the abolition of shell corporations and the reinforcement of international cooperation between tax authorities, are long overdue. It is estimated that the EU Member States lose around one trillion euros each year due to tax evasion and avoidance!¹³

To enable tax policy measures that provide for fairer distribution, the unanimity requirement applicable to taxation matters needs to be abolished. In the meantime, the enhanced cooperation procedure should be used wherever possible (such as is currently the case with respect to the implementation of the financial transaction tax).

3.3.3. Sensible distribution of working time

Given the high level of unemployment and underemployment on one hand, and the increasing burden on workers on the other as well as in the current context of the ever-increasing productivity of workers, EU-wide coordinated sensible models for a better and fairer distribution of work – in particular between the employed and unemployed and between women and men – should be promoted.

Footnotes

- ¹ OFCE/ECLM/IMK/AK Wien (2016): iAGS 2017. independent Annual Growth Survey. Fifth Report, <http://www.iags-project.org/documents/iAGS%202017%20The%20elusive%20recovery%2025%2011%202016.pdf>.
- ² ILO (2016): Building A Social Pillar for European Convergence, p. 1.
- ³ Hermann, Christoph (2015): Strukturelle Reformen in Europa: Vergangenheit, Gegenwart, Zukunft [Structural reforms in Europe: past, present, future], https://media.arbeiterkammer.at/wien/PDF/studien/Strukturelle_Reformen_in_Europa_2015.pdf.
- ⁴ COM(2016) 127 final, ANNEX 1, p. 12.
- ⁵ OFCE/ECLM/IMK/AK Wien (2016).
- ⁶ See e.g. European Commission (2012): José M. D. Barroso, State of the Union 2012 Address, http://europa.eu/rapid/press-release_SPEECH-12-596_en.htm.
- ⁷ Buxbaum, Adi (ed., 2014): Prospects of social progress. Social investments have multiple benefits, AK Wien, https://media.arbeiterkammer.at/wien/PDF/studien/Sozialpolitik_in_Diskussion_16_englisch.pdf
- ⁸ EESC (2014): The impact of social investment on employment and public budgets, SOC/496, <http://www.eesc.europa.eu/?i=portal.en.soc-opinions.29289>.
- ⁹ OECD (2016): OECD Global Economic Outlook, June 2016, pp. 46f.
- ¹⁰ See Buxbaum (ed., 2014).
- ¹¹ Truger, Achim (2015): Implementing the Golden Rule for Public Investment in Europe, Materialien zu Wirtschaft und Gesellschaft 138, AK Wien, http://www.akeuropa.eu/_includes/mods/akeu/docs/main_report_de_361.pdf.
- ¹² Bast, Jürgen/Rödl, Florian (2012): Jenseits der Koordinierung? – Zu den Grenzen der EU-Verträge für eine europäische Wirtschaftsregierung, EuGRZ 2012, p. 269; Häde, Ulrich (2011): Art 136 AEUV – eine neue Generalklausel für die Wirtschafts- und Währungsunion?, JuristenZeitung 2011, p. 333.
- ¹³ Murphy, Richard (2012): Closing the European Tax Gap, http://www.socialistsanddemocrats.eu/sites/default/files/120229_richard_murphy_eu_tax_gap_en.pdf.

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