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AK Position Paper

# Consultation Paper "Europe's Social Reality"

## About Us

**The Federal Chamber of Labour is by law representing the interests of about 3.2 million employees and consumers in Austria. It acts for the interests of its members in fields of social-, educational-, economical-, and consumer issues both on the national and on the EU-level in Brussels. Furthermore the Austrian Federal Chamber of Labour is a part of the Austrian social partnership.**

**The AK EUROPA office in Brussels was established in 1991 to bring forward the interests of all its members directly vis-à-vis the European Institutions.**

### **Organisation and Tasks of the Austrian Federal Chamber of Labour**

The Austrian Federal Chamber of Labour is the umbrella organisation of the nine regional Chambers of Labour in Austria, which have together the statutory mandate to represent the interests of their members.

The Chambers of Labour provide their members a broad range of services, including for instance advice on matters of labour law, consumer rights, social insurance and educational matters.

More than three quarters of the 2 million member-consultations carried out each year concern labour-, social insurance- and insolvency law. Furthermore the Austrian Federal Chamber of Labour makes use of its vested right to state its opinion in the legislation process of the European Union and in Austria in order to shape the interests of the employees and consumers towards the legislator.

All Austrian employees are subject to compulsory membership. The member fee is determined by law and is amounting to 0.5% of the members' gross wages or salaries (up to the social security payroll tax cap maximum). 560.000 - amongst others unemployed, persons on maternity (paternity) leave, community- and military service - of the 3.2 million members are exempt from subscription payment, but are entitled to all services provided by the Austrian Federal Chambers of Labor.

Herbert Tumpel  
president

Werner Muhm  
director

## Executive Summary

The Federal Chamber of Labour (AK) welcomes the initiative to analyse Europe's social reality and build a new consensus in Europe on the common social challenges and would like to express its opinion on the following aspects:

### **Macroeconomics, globalisation, demographics**

Owing to the EU's primary law structure, the main responsibility for "social reality" still lies with the Member States. However, when exercising this responsibility they come across barriers to primary law: on the one hand, a single market with vastly different national standards in the social, tax and wage area and on the other a monetary union with considerable influence on how their budgetary policy is shaped as well as an autonomous ECB monetary policy.

Against this background, the basic deficiency of the consultation paper is that it completely ignores the question of macroeconomic policy orientation. Subsequent effects of this policy are therefore extracted from the discussion process a priori. In the process, it is clear that coping with the topics addressed in the consultation paper (globalisation, demographics, poverty, unemployment, enlargement) also depends largely on economic growth in Europe and therefore on macro policy impulses. The sustainable achievement of goals like economic growth and "more and better jobs" calls for the ECB's restrictive monetary policy to be loosened, an increase in the budgetary scope of Member States as well as effective measures against tax and social dumping. In addition, we need to end redistribution to the detriment of wages, which has been going on for years. The EU's single market policy needs to be designed more as an instrument to improve the quality of life in Europe.

## Specific social challenges

### 1. Poverty

The AK expressly welcomes the fact that the consultation paper places considerable importance on the problem of poverty. Even though poverty in Austria – when compared with the rest of Europe – occupies a relatively lower level, the number of acutely poor people and those at risk of poverty is so high that countermeasures are urgently needed: according to EU-SILC, 12.3% of people in Austria were at risk of poverty in 2005, with 5.2% affected by manifest poverty. The problem of the “working poor” is also virulent in Austria.

Poverty has serious effects not only on society as a whole – the consequences for individuals are even more grave: it means not only poor living conditions, but also as a rule poor health, social exclusion and poor prospects for the future (even for children – “inheriting poverty”).

On the basis of the correlation between precarious employment and (risk of) poverty, which has been empirically proven, the AK rejects the conclusion of the consultation paper in which so-called “Big Mac” jobs can also be a first step “on a genuine ladder of opportunity”. It suggests that the spread of “Big Mac” jobs should be classified as extremely positive on the whole in the fight against poverty, even though this contradicts every empirical finding.

The creation and preservation of high-quality jobs must also be one of the key policy objectives in the future.

Austrian politics has largely ignored the “poverty” topic in recent years. It is to be hoped that the introduction of (demand-oriented) sufficient resources provided for in the 2007 government programme will prove to be an effective instrument in combating poverty – in the end, it will depend on their specific structure.

### 2. Female employment – work life balance

The consultation paper also deals with this topic in some detail. The AK welcomes this, although we should consider the fact that a purely quantitative examination of increases in the number of employed women falls short: women in Europe are employed above all in medium-skilled and low-skilled jobs in the service sector. It goes without saying that we share the view that an increasing female participation rate constitutes a positive development. However, we should not overlook the fact that the employment opportunities open to women are significantly worse in very many cases than those for men. The danger of segmentation on the labour market gathering momentum should not be ignored – on the contrary: equal opportunities in the working world must also remain a key objective. Similarly, the purely quantitative examination of part time work also falls short.

In addition, the consultation paper also neglects the correlation between paid employment and unpaid housework and looking after one's family.

In Austria, the lack of an adequate child care infrastructure and part time work lead to the careers of very many women coming to a dead end as the only option for a work life balance. The wage differential between men and women in Austria is also still sizeable.

The AK agrees with the consultation paper's analysis in principle, namely that the "male breadwinner" model no longer corresponds to the reality of life in Europe. However, the conclusion inferred from this – that making the dual earner model work successfully should be a central issue for family policy in Europe – is interpreted too narrowly: it disregards the increasing variety of family lives and forms of living.

The Austrian policy has opted to strengthen cash benefits for child care in recent years. However, investments in benefits in kind have stopped. Initial evaluations of child care benefit reveal that this makes it more difficult on the one hand for women to return to work and on the other offers fathers no incentives to take parental leave due to the present structure (full use only possible if claimed for a very long period)

In the AK's view, the consultation paper does not pay enough attention to working conditions in the EU.

### 3. Quality of working conditions

In the AK's view, the consultation paper does not pay enough attention to working conditions in the EU. Whilst it is true that working hours in Europe have become shorter, this can be put down first and foremost to an increase in part time work as well as a reduction in very long working hours. On the other hand, workers still have very little autonomy in fixing their working hours (which is very important e.g. in order to achieve a better work life balance). In addition, work intensity has clearly increased since the 1990s. More and more workers report having to work at very high speed and under strict time limits.

A key shortcoming of the consultation paper is that the topic health and safety at work is not picked out as a central theme at all, even though there is also a need for action here. The AK asks that this area receive the necessary attention in future when "social reality" is analysed

### 4. Flexibilisation and flexicurity

The AK calls for a balanced flexicurity strategy to be followed and rejects the one-sided orientation towards the flexibility wishes of the economy that has been observed many times. A balanced flexicurity strategy must be geared both to protecting and – where necessary – strengthening social rights; legitimate flexibility concerns of workers (e.g. for more autonomy timewise in order to cope with family duties) must also be taken into account. It involves among other things the following points: better legal protection of so-called "outsiders", protecting the health of employed persons and invalidity prevention, better work life balance, strengthening training, further education and job-related learning, doing away with employment contract clauses that are detrimental to workers and hinder mobility as well as better social protection in the event of employment transitions or unemployment.

## Long version

### I. Growth and employment as determinants of social reality

The consultation paper "Europe's Social Reality" is an important attempt to build a new consensus on the common social challenges in Europe. It focuses on the key social tendencies and makes it clear that Europe has among other things a "serious poverty problem" and unemployment is one of the main challenges. It looks into globalisation and the effects of demographic change. It rightly points out that enlargement is "adding a whole new dimension" to regional disparities (page 12). In short: it describes the key facets of social reality. However, its analysis completely ignores the issue of macroeconomic policy orientation. Subsequent effects of this policy are therefore extracted from the discussion process a priori. In the process, it is clear that dealing with the topics addressed in the consultation paper (globalisation, demographics, poverty, unemployment, enlargement) also depends largely on economic growth and therefore on the macro policy in Europe.

The area of conflict between European policy and national competences is likewise not picked out as a central theme. The paper simply points out succinctly that "the competence and responsibility for action in most of the areas discussed in this paper lies with Member States, not the EU" (page 7). Yet this is only half the truth: it is true that the primary responsibility for

"social reality" still lies with Member States. However, when exercising this responsibility they come across barriers to primary law: on the one hand, a single market with vastly different national standards in the social, tax and wage area and on the other a monetary union with considerable influence on how their budgetary policy is shaped as well as an autonomous ECB monetary policy. European policy has been oscillating in this area of conflict for years and it is also jointly responsible for growing scepticism among EU citizens. They experience every day that the political decision-makers are not prepared to bring about a change in economic policy despite high unemployment and insufficient economic growth. At the same time, they feel the growing pressure on wage and social standards, not least due to inner competition with the new EU Member States.

In its Communication "A Single Market for Citizens", the Commission writes: "The single market is a means to steer economic growth and to achieve a competitive and open Europe, a Europe of buoyant markets and healthy trading relations, which can deliver solidarity, full employment, universal access to services of general interest, high social and environmental standards, and high levels of investment in research and education to prepare for the future". The concept that realising the freedoms of the single market automatically leads to social progress underlies the Commission's proposal.

Its analysis completely ignores the issue of macroeconomic policy orientation.

This is not in keeping with the actual trend, which is characterised by a mutual dumping competition between the Member States in the social, tax and wage sector. If the single market is to be an instrument to achieve these goals, then we need minimum European standards in these areas that need to be checked periodically and developed further in the interests of social progress. Regarding this, a political standstill has emerged in recent years at European level. This is partly due to primary law (unanimity requirement with quite a lot of conditions in the social chapter and on tax policy, no coordinated wage policy for Europe). However, the biggest barrier is the lack of political will among Member States to agree on minimum standards. This area of conflict is even worse when it comes to Economic and Monetary Union. The EU's social dimension has finally fallen behind with the Maastricht Treaty (budget criteria, ECB provisions) and the Stability and Growth Pact (SGP). The integration of an employment chapter in the EC Treaty (Amsterdam Treaty), which is bound up with numerous hopes, has proved to be false. The nation states are primarily responsible for the fight against poverty and unemployment, although their policy is integrated in a European policy-mix that hinders growth and employment:

- Owing to the strict requirements on budget consolidation (Maastricht criteria, Stability and Growth Pact), EU Member States have little scope to boost domestic demand by increasing public investments.

- Tax competition at EU level in the area of corporate taxes also limits the scope of action because this means that necessary revenue for economic countermeasures is taken away from the state.
- The ECB's monetary policy curbs growth because it gives too much priority to the goal of price stability and is unnecessarily restrictive with its self-imposed inflation target of 2% as the upper limit. The ECB, which enjoys a high degree of independence, rejects any responsibility for promoting growth and employment.
- The pressure to adapt hangs heavily over workers. In the case of this economic policy conception, their role is to bear the costs of adaptation in the form of lower wages, flexible labour markets, poorer protection against dismissal etc. This is definitely not the way to boost private consumption.

Even the wage policy of Member States follows European requirements, although this is not mentioned in the treaty and employee pay is even expressly exempted from the treaty (Art 137(5) EC Treaty).

As a result, "moderate" wage settlements are continually specified as part of the coordination of Member States' economic policy in order not to endanger competitiveness.

The AK is convinced there is still the need for a new expansive economic policy at European level in order to protect the upswing.

The trend in recent years has tellingly confirmed the need for a change of direction for growth and employment. The current economic upturn is no antithesis. It is due to export dynamics and the increase in business investments. The WIFO White Paper of October 2006 also estimates: "The economic policy in the Euro zone has hitherto failed – in contrast to the USA, Great Britain and Scandinavia – to bring about a basic economic upturn of its own. In this situation, we need to question the importance of the macroeconomic stabilisation policy. The problems of the European economy are nowadays depicted as structural in terms of rigid, inflexible structures, with cyclical aspects and demand aspects ignored". Against this background, the AK is convinced that even after the European economic upturn in 2006, there is still the need for a new expansive economic policy at European level in order to protect the upswing. The weakening state of the economy again in Germany and the USA as well as the critical developments on the international financial markets clearly show the need to strengthen domestic demand – at national level as well as in the European context. Domestic demand is becoming more of a key factor for European economic growth. To strengthen it, the ECB's restrictive monetary policy needs to be loosened with sufficient budgetary scope for the Member States. In addition, we need to end redistribution to the detriment of wages, which has been going on for years. Effective measures

against tax dumping are also required.

## II. Structuring globalisation fairly

The consultation paper rightly describes globalisation as the frame of reference for the EU and among other things the danger of delocalising high-quality activities.

Globalisation has achieved a new dimension with China and India joining the World Trade Organisation (WTO) because – according to Harvard economist Richard Freeman – more than two billion people are also available to the global market as cheap and increasingly well educated workers. The forecasts are gloomy: "Although Chinese wages are a fraction of those in Europe, it is clear that the difference in quality of goods produced in China or the EU is already small or non-existent" – according to the report of the High Level Group mandated by the European Council to carry out a mid-term review of the Lisbon strategy.

The combination of "low income – high technology" could prove to be the truly serious challenge to the western prosperity model. In the meantime, studies carried out by the IMF reveal that globalisation is detrimental to the wage ratio in the developed industrialised countries.

What can or should Europe do? It goes without saying that world trade can make a positive contribution to prosperity. However, free trade and capital movements alone are no guarantors. Europe must supply proof that high competitiveness is compatible with full employment and social security. Is it not surprising that many critical books on globalisation end with this hope for Europe?

From the AK's viewpoint, Europe needs to take up the challenge of globalisation on two levels:

1. Internally, it is to do with creating a social Europe (social union) that removes people's fear of globalisation. With the single market and monetary union, Europe has important instruments at its disposal to maintain its place in a globalised world and offer people future prospects. However, these instruments need to be adapted again in order to be able to act as a driving force for growth and employment.

2. Externally, it is to do with fair competition. Pressure to deregulate high standards undoubtedly arises due to the difference in regulations when compared with other countries worldwide. This is precisely why the EU makes the running here in the international forums. This concerns above all the WTO in its capacity as the main organisation for regulating international trade relations. If it was possible in the WTO to enforce global minimum standards to protect

the rights of intellectual property, why should it not be possible to establish binding minimum standards in order to protect workers (the so-called key ILO labour standards) and minimum standards to protect the environment? On the basis of these minimum standards, it should then be about launching a regulatory convergence process in the long term in order to provide the highest possible level of protection for workers, the environment and consumers. The competition that undoubtedly exists at present based on the disregard of and conscious circumvention of such minimum standards could therefore be prevented. Something similar also holds for the EU's bilateral trade policy that is gaining in importance. We should also press ahead here with the binding compliance and implementation of minimum standards in the social and environmental field. Nothing, except a lack of political will, is stopping the EU from doing this.

The employment trend is at least just as important for the economic dependency ratio as the demographic trend.

### III. Demographic challenge can be overcome

The repercussions of an ageing population are highlighted several times in the consultation paper. In the process, it depicts a sizeable threat potential – from rising costs of health and care for the elderly through to the drag on potential economic growth in Europe. The fact is that western industrial societies and, in the course of modernisation, all societies are getting older. This is a global trend that is irreversible. However, there is no reason for the “demographic pessimism” that has characterised the discussion at EU level for years. This holds just as much for an exaggerated “trust in forecasts”: even if social ageing is an indisputable fact, forecasts have been revised downwards time and again in recent years. This shows that the extent of the shifts actually expected is largely unknown. What is true and what is false when it comes to the current arguments on “demographic” challenge? It is true that the old age dependency ratio, i.e. the number of older people in relation to the number of people of working age, will increase significantly in the decades to come. This of course poses a considerable challenge for the social systems. However, the assertion – and this is the crucial point – that an increase in the number of old people must automatically tilt the relationship between transfer payments on the one hand and income from contributions on the other is wrong.

What matters in reality is giving as many people as possible the chance of well paid gainful employment. For these people pay contributions and taxes and are also not dependent on transfer payments. What it is ultimately about is the so-called economic dependency ratio – and this is determined not by a long chalk just by demography. The employment trend is at least just as important for the economic dependency ratio as the demographic trend. It is also true that the working population will become significantly older in the next two decades on average as the baby boom generation grows older. Creating jobs suitable for mature workers as well as preserving the employability of older people therefore become key challenges that call for significantly more action from politicians and companies than was the case up to now. The main response to the demographic challenge can therefore only be as follows: a specific growth policy and creation of high-quality employment. The labour potential needed for this – unlike how it has been frequently depicted – exists to a sufficient degree (not only now, but also in the decades to come). There is tremendous employment potential that has been unused up to now and therefore enormous potential for the sustainable protection of social security systems. Besides the fight for “more and better jobs” and against unemployment, we also need to do more for the work life balance.

The problem of the “working poor” is also virulent in Austria.

Countries like Sweden or France show that a sound infrastructure with child care places is the best way to increase birth rates.

Another important aspect in connection with this involves reducing high youth unemployment in most EU Member States. It is not just about offering young people future prospects. This question also has a demographic aspect: empirical data reveal a significant connection between youth unemployment and birth rates in the EU Member States: countries with high unemployment have a low birth rate, whilst those with low youth unemployment – with a few exceptions – have a higher birth rate. The economic situation of young people has a considerable influence on the readiness to start a family.

#### IV. Specific social challenges

##### 1. Poverty

The problem of poverty is high on the consultation paper’s agenda. The AK expressly welcomes this. Problems of in work poverty and acute poverty are relatively small in Austria compared with other EU countries. In spite of this, poverty is also, even quantitatively, a very significant phenomenon in Austria. According to EU-SILC, 12.3% of people in Austria were at risk of poverty in 2005 (EU-25: 16%). This amounts to around 1,001,000 people. 5.2% of those living in Austria were affected by manifest poverty – some 422,000 people.

Groups of persons affected by poverty to an above-average degree are above all households containing migrants (30%), single parent households (27%), large families (households with more than three children: 21%), households with long-term unemployed or with persons employed discontinuously as well as households in which disabled persons live. Poverty in Austria by no means affects just persons and their households that are not gainfully employed. The problem of the “working poor” is also virulent in Austria.

However, poverty not only has serious repercussions on society as such – the consequences for the individual are a lot more specific and serious. For those affected, poverty means not only poor living conditions, but also as a rule social exclusion and poor prospects for the future (even for their children – “inheriting poverty”).

There is also the fact that poverty has extremely negative effects on the health of those affected: whilst 11% of the population living below the poverty line in Austria suffers from poor health, this only applies to 4% of the population with high incomes. At the same time, the situation in Austria is characterised by a striking lack of public awareness regarding this as well as a lack of political measures to combat the high health risk caused by poverty.

In view of the serious changes in the Austrian labour market towards “non-standard” employment contracts, we should expect this problem to increase in future.

The number of part time workers as well as insignificant employment contracts has risen in recent years. An increase in part time work is chiefly responsible for the growth in employment in recent years in Austria. Other forms of non-standard work have also increased such as temporary work, free service contracts and contracts for work and services. This is therefore often accompanied by a discontinuous and precarious income situation. This often implies very low or deficient social security benefits – there is no right to them at all in a good many cases (e.g. no unemployment insurance for free service contracts) or this is so low that it does not ensure survival (e.g. in the event of part time employment). Non-standard work will be one of the main social policy challenges in the coming years.

Non-standard work and social security benefits derived from it that do not secure one's livelihood are a key cause of poverty in Austria. Against this background, the AK does not share the consultation paper's conclusion that "taking these types of jobs at the bottom of the labour market can be a first step on a genuine ladder of opportunity" (consultation paper, p. 22). It suggests that the spread of "Big Mac" jobs should be classified as extremely positive on the whole in the fight against poverty, even though this contradicts every empirical finding. Such an approach fulfils neither the lofty objectives of this discussion process nor does it foster an adequate, serious analysis of the topic. The creation and preservation of high-quality jobs

also needs to be one of the main policy objectives in future.

Current poverty figures in Austria reveal a very clear picture: the poverty risk is significantly higher for example in the case of irregular unemployment (16%). This also holds for part time work of less than 12 hours a week (19%). Yet poorly paid full-time work also increases the risk of poverty considerably: the at-risk-of-poverty rate for those with a gross income of less than € 1,000 a month is approx. 16%. Poor school qualifications obtained by precarious workers make the problem a lot worse: the at-risk-of-poverty rate for example for those persons with just a compulsory school leaving certificate (Pflichtschulabschluss) is 23%. Austrians in precarious employment holding the Matura (equivalent to A Levels) still have an above-average at-risk-of-poverty rate (19%). These data clearly show on the one hand that poor professional qualifications are a key factor for being at risk of poverty. However, on the other even high professional qualifications do not lead to a below-average risk of poverty in the case of precarious employment. The question as to whether professional qualifications lead to a high-quality job or not is therefore crucial. The consultation paper also rightly devotes itself to the issue of child poverty. An important reason for poverty in Austria in general and for child poverty in particular is the lack of or insufficient number of countermeasures at political level.

The AK hopes that guaranteeing sufficient resources will be an efficient instrument in the fight against poverty

The government programmes from 2000 and 2003 paid – if at all – only lip service to the poverty topic: whilst the 2000 government programme talked about “driving back poverty”, there was no detailed concrete form and in particular also no budgeting. Not only was nothing done, on the contrary measures were even drawn up that made the precarious situation of children at particular risk even worse: for example, the family supplements for recipients of unemployment benefit in 2001 were reduced from € 1.61 to € 0.97 a day and have no longer been valorised since then. In the 2003 government programme, the “poverty” topic was missing completely. Child poverty was not an issue in both government programmes. One of the objectives of the 2007 government programme is to reduce poverty. The main element in the fight against poverty involves the introduction of demand-oriented sufficient resources geared to the level of the (adjusted) standard supplementary benefit rate (Ausgleichszulagenrichtsatz). This is accompanied by the introduction of a minimum wage of € 1,000 for full time workers, improvements in the right to emergency aid and better social law protection for “quasi-freelancers”. The AK welcomes these plans and hopes that guaranteeing sufficient resources will be an efficient instrument in the fight against poverty – it will depend on the specific structure, in particular with regard to the group of persons eligible for benefits and the benefit amount.

The consultation paper rightly

emphasises the importance of the welfare state in reducing poverty (page 12). The AK fully agrees with this finding – it also holds unreservedly for Austria. The at-risk-of-poverty rate in Austria was 12.3% in 2005, and was even 43% before pensions and social security benefits. However, at the same time – according to the consultation paper – “our generous welfare states” are also less good at providing access to new opportunity “as shown in the numbers of long term unemployed, long term sick and disabled and quasi-early retired in Europe” (page 13). The AK does not share this finding for several reasons:

1. The assertion has no empirical basis. This makes a factual discussion more difficult and even prevents it.
2. It is unclear what terms like “long term sick and disabled”, “long term unemployed” or “quasi-early retired” really mean.
3. The assertion implies that the “welfare state” is to blame for phenomenon like long term unemployment, unfit for work etc. The AK rejects a line of argument that is characterised by prejudices.

Another important aspect connected with poverty is the distribution of income and wealth. Both have changed in recent years. The income gap, as specified in the consultation paper (p. 35 et al), has widened. The rich and top earners in particular have benefited disproportionately from economic growth.

On the other hand, unemployment and precarious employment contracts have increased. The strong wage differentials compared with the new Member States and the accompanying pressure on working conditions in some areas and industries also contribute to this.

Indicative of this trend are the successes of Austrian companies in the central and eastern European countries on the one hand and the negative trend in wage costs. This shows that recipients of profit income and private property income benefit from the globalisation boom, whilst workers not only have no part in this growth, they are also confronted more and more with the negative consequences of EU enlargement (in particular wage dumping, fierce competition on the labour market, high tax charge on workers due to tax competition in the area of corporate taxes).

## **2. Female employment – children – compatibility**

### **2.1 Female employment and part time work**

The consultation paper looks into this topic in considerable detail. In the process, the following aspects are emphasised with regard to the employment of women:

- The female employment rate has increased whilst the gender employment gap continues to narrow across the whole EU (page 15).
- Over a quarter of women work part time, although there was a lack of part time options in parts of southern Europe (page 23).
- Part time work is much less prevalent in EU countries that have a comprehensive child care infrastructure as well as employment rights that are more family friendly. This is the case above all in the Nordic countries (page 22).
- Generally among women with part time jobs, job satisfaction is high. However: France had a disproportionately high number of women that are unhappy with part time work. As better child care is available in France, “part time work is not automatically perceived as the best means available of reconciling work and family life” in France (page 23).
- Apart from these positive aspects, part time work – according to the consultation paper – is associated with several disadvantages: “... there are issues concerning the gender pay gap, fewer opportunities for training and career progression, weaker job tenure and reduced access to social benefits which lead to gender segmentation in the labour market that denies equal opportunity” (page 9).

In AK's view, we need to stress that a purely quantitative examination of the increases in the number of employed women – as is the case in the consultation paper – falls short.

In the AK's view, we need to stress that a purely quantitative examination of the increases in the number of employed women – as is the case in the consultation paper – falls short.

A qualitative analysis of female employment reveals that they are employed in Europe above all in certain areas of employment, in particular in average- and low-skilled occupations in the service sector: 75% of those working in education and health and 55% of those working in the wholesale and retail trade are women. This means that the growing participation rate of women strengthens rather than reduces the existing segmentation based on professional positions.

Women are to be found a lot less in managerial positions and also in traditional industrial professions. Whilst they also hold management positions more frequently than before, only every fourth dependent worker has a woman as their direct superior. At the same time, there are significant differences between the sexes: 42% of women compared with just 10% of men have a "female boss". Even though women are increasingly venturing into highly qualified jobs and managerial positions, the gender pay gap still remains in Europe.

The consultation paper rightly refers to the fact that part time work is a female phenomenon. However, the statement that "over a quarter" (page 10) of women work part time is very imprecise and should be amended at any rate. In 2005, the part time rate for women was 32% on average for the EU-25, which is almost

a third.

In addition, the consultation paper states that part time work among women is much less prevalent in countries in which child care is much more comprehensive as in the Scandinavian countries. This statement contradicts current Eurostat data inasmuch as, with the exception of Finland, the Scandinavian countries reveal part time rates for women in 2005 that are in fact above the European average (Norway: 44%, Sweden: 39%, Denmark: 33%). More noticeable is the fact that the part time rates for men in all these countries are much higher than the European average (EU-25 7%, Denmark 12%, Sweden 10%, Norway 13%). Even in Finland, which has a part time rate for women that is well below average on the whole (18%), the part time rate for men is 9%. As regards the part time rate, the gender gap is therefore a lot lower in these countries, which can possibly be put down to part time work being more attractive.

In this respect, a purely quantitative examination of part time work falls short. We also need to include the quality of part time work in the analysis: is part time work involving skilled positions represented just as often in full time work? Are transitions from full time work to part time work possible and vice versa? Or is returning to a full time job or increasing the number of hours somewhat difficult for workers? To what extent is part time work accompanied by career prospects getting worse as well as a loss or devaluation of professional skills?

In addition, the AK refers to the fact that the basic problem of a lack of part time options does not – as stated in the consultation paper – lie in well-being being diminished, but in an increase in the risk for women to be able to be gainfully employed at all. This is – as in several southern European countries – then the case if there is also only a very rudimentary child care infrastructure in place.

Another important aspect that is unfortunately neglected in the consultation paper concerns the correlation between paid employment and unpaid housework and looking after one's family, which is mainly performed by women: as the fourth working conditions survey carried out by the Dublin Foundation reveals, men work longer in paid employment in all EU countries. However women, even those in part time employment, work more hours than men if paid and unpaid working hours are combined. In addition, the AK criticises the complete exclusion of the effects of a general reduction in working hours (as in France) on the employment and part time work of women and the work life balance. Developments contrary to the European trend in some countries, for example in Denmark, also require a more deep-seated analysis: the part time rate for women has fallen from 37% to 33% here between 1993 and 2005. At the same time, the female employment rate on the whole increased from 68% to 72%. The part time rate for men increased from

10% to 12%.

As the example of Austria shows, the lack of an adequate child care infrastructure and part time work lead to the careers of very many women coming to a dead end as the only option for a work life balance: on the whole, Austria is above the European average with a female employment rate of 62% in 2005, even if it still lags behind the Scandinavian countries with female employment rates of 70% and more. The female employment rate has also increased continuously in Austria, although the employment increase among women in recent years can be put down almost exclusively to an increase in part time employment. In contrast, full time employment among women has fallen slightly or stagnated: part time employment contracts involving women increased in Austria by around 261,000 from 1997 to 2006, whilst full time employment contracts fell by around 38,000.

Compared with the rest of Europe, the number of women working part time in Austria has risen disproportionately in recent years. In the meantime, four out of ten women already work part time (39%), whilst part time work among men in Austria is still marginal at 6%. Gender-specific segregation on the labour market occurs more through part time work: part time jobs filled predominantly by women are to be found to a far greater extent in industries with poor pay and in an unskilled area.

39% of all part time women are employed in unskilled and semiskilled jobs, with only 13% in higher-level and managerial jobs. Women in full time employment are clearly less likely to be employed in unskilled and semiskilled jobs (25%). The figure is twice as high in the upper fields of activity, namely 27%. Employment stability among part time workers is also lower: according to Statistik Austria, 39% of workers were employed less than three years in 2006, with a figure of 29% for full time workers. The high income differences between men and women therefore not only have their roots in the lower working hours of women. They also result from the fact that part time work is to be found in poorly paid positions to a much larger extent.

As regards the gender-specific wage differential, Austria still fares very badly compared with the rest of the EU. Women in employment earn just 60% of the average male income on average. The gender-specific income differences also vary considerably according to occupational group. With white-collar workers, the income disadvantage for women amounts to 49%, and is highest among blue-collar workers (55%). The disadvantage is lowest among civil servants (9%).

Care duties have a particularly negative effect on women's income. The "baby break" and its negative effect on women's income is evident in the income cycle of women: when starting

a career (up to 19 years old), the income disadvantage between young women and men is still relatively small (94%). However, this grows gradually: whilst men can expect a progressive increase as they get older, women's incomes stagnate in the age groups 20- to 39 years old – precisely when many women interrupt their career to have children or switch to part time employment. Women in the 30- to 39-year-old age group therefore earn only 55% of what men do. Whilst income rises again afterwards, it is still a lot weaker than with men. In the 50- to 59-year-old age group, women achieve 62% of male incomes.

## 2.2 Work life balance

The consultation paper also dedicates considerable space to the work life balance. However, it is remarkable that gender equality is linked directly with demographic change. This is reflected not only in the heading to chapter 1.5, but also above all in the following remarks. The authors make the point that "Today, the time spent preparing meals and looking after the house has fallen drastically and more men take at least some responsibility" (page 15). However, the consultation paper does not mention whether the easing of burdens on women is actually associated with these developments and what form this takes. The results of the fourth working conditions survey reveal in any case a somewhat gloomy picture: men have longer working hours than women in all EU countries.

The AK shares the assessment in the consultation paper that the “male breadwinner” model no longer fits with the reality of life in Europe and dual earner households have become the social norm.

However, women have longer working hours if the term “working hours” is subsumed to paid and unpaid work, even if they work part time. Women employed full time do 40 hours paid work and 23 hours unpaid work (63 hours in total), whilst men employed full time manage 43.1 hours paid work and just 7.9 hours unpaid work (51 in total). Even more serious are the differences in those working part time: whilst women working part time do 21.3 hours paid work and 32.7 hours unpaid work (54 in total), men working part time spend 23.5 hours in paid work and just 7.3 hours in unpaid work (30.8 in total). The willingness among men in part time employment to take on unpaid housework is therefore even lower than with those in full time employment.

In addition, the consultation paper argues that “The dual earner household is now the norm. The relative position of the family in terms of income and status no more depends on the earnings of the ‘male breadwinner’, but on the earning power of both partners and the long term stability of their relationship” (page 15). In this respect, “making the ‘dual earner model’ work successfully is now a central issue for family policy in Europe. All the issues surrounding it such as work life balance and the sharing of responsibilities within the home matter in terms of relationship stability, gender equality, and the alleviation of child poverty” (page 28).

This also raises the issue of demographic sustainability: accordingly, the birth rate

has fallen least in places where there is a well developed child care infrastructure. The AK shares the assessment in the consultation paper that the “male breadwinner” model no longer fits with the reality of life in Europe and dual earner households have become the social norm. However, the conclusion deduced from this – that making the dual earner model work successfully is a central issue for family policy in Europe – falls short, for it disregards the increasing variety of family lives and forms of living. There are in fact many single parents – the vast majority of whom are women – and marriages/partnerships do not last a lifetime in many cases. It therefore needs to be a central issue for family policy to guarantee autonomous social protection of the individual partner and single partners via adequate employment. This is all the more valid as a current comparative study reveals that a well developed child care infrastructure and gainful employment for women are the most effective means to preventing poverty, in particular child poverty. In the dual earner model, the woman is also very often reduced by implication to the role of secondary earner: the man is the main breadwinner in full time employment and the woman earns some extra money via part time work. This contradicts on the one hand the principle of equal opportunities on the job market and on the other women must accept significant disadvantages regarding pensions and unemployment. In the event of divorce, this model frequently brings with it not least a loss of income

for women, which often puts their financial existence at risk. In addition, the consultation paper fails to examine the issue of which prerequisites are needed for work life balance to succeed or not. Regarding this, the fourth working conditions survey is also instructive: the length of working hours plays a crucial role in compatibility. 85% of those working less than 35 hours are happy with their work life balance, whilst only 40% of those with long working hours are happy (over 40 hours). Extremely long working hours (more than 10 hours) also have a negative effect on career and family. Those surveyed cite regular, fixed working hours of around 40 per week as the most important prerequisite for a successful work life balance. In the process, these need to be distributed evenly over the weekdays and above all remain the same as well as have fixed start and end times. Accordingly, flexible, irregular working hours are a hindrance to a work life balance.

### 2.3 Child care

As a European comparison reveals, the existence of a well developed child care infrastructure is an important basis for guaranteeing an income that secures a livelihood by way of employment. In the Scandinavian countries with a well developed child care infrastructure, the female employment rate is also significantly higher than in other European countries. There is a striking lack of child care

facilities in Austria. In 2005, the support density of child care facilities was far below the target of 33% set by the Barcelona European Council at 12%, particularly for children aged between 0 and 3 (up to 2010).

On top of that, the majority of child care facilities only offer limited opening hours, i.e. for example kindergartens or nurseries are only open in the mornings or already close at 3 pm – or are open all day but do not provide any lunch. It is therefore scarcely possible – or only to a very limited degree – for persons with care responsibilities to be gainfully employed. These restrictions hold for kindergartens in particular, i.e. for the group of 3- to 5-year-olds that actually have high coverage of 84%. However, only a third of children aged 3-5 have a place in kindergarten that is compatible with employment.

According to the latest study , 46,000 extra child care places are needed in Austria. At the same time, 40,000 child care places point to qualitative deficiencies, in particular with regard to opening hours. However, Austria would not achieve the Barcelona target even if the uncovered demand were rectified: coverage for children below 3 would increase from 12% at present to 18% and would therefore still be some way behind the Barcelona target of 33%. As regards coverage for 3- to 6-year-olds, an increase from 84% to 88% would not fully achieve the Barcelona target of 90% coverage.

In AK's view, the consultation paper does not pay enough attention to working conditions in the EU.

Finally, it should be stressed that Austria's policy in recent years has been focused (due to the introduction of child care benefit in 2002) more on strengthening cash benefits for child care, whilst no substantial investments have been made in benefits in kind, such as strengthening child care facilities. However, initial evaluations of the child care benefit show that this makes it more difficult on the one hand – primarily due to the long break in employment – for women to return to work. On the other, it offers no incentive for fathers to take parental leave.

### 3. Quality of working conditions

With regard to working conditions and satisfaction, the consultation paper establishes "that most people are happy with their job, even when they are short of money" (page 22). According to the consultation paper, Europe works shorter hours compared to the USA. At the same time, "the working conditions in the EU have been continuously improving". It cites as evidence the fact that the incidence rate of fatal accidents was reduced significantly between 1994 and 2004 as well as accidents leading to a longer absence from work.

Yet around 28% of the workforce feels that "their health is at risk because of work" and many feel their work is "not satisfactory" (page 22). This raises the question as to why "these adverse perceptions of work have not changed despite shorter hours, better safety and

the decline of manual work?" (page 22). By way of explanation, the consultation process refers to an increase in work intensity, stress, lack of work life balance etc.

In the AK's view, the consultation paper does not pay enough attention to working conditions in the EU. The consultation paper's findings that working hours have become shorter is correct, although it can be put down first and foremost to the increase in part time work as well as a reduction in the number of those employees that have very long working hours. In addition, workers have relatively little autonomy in fixing their working hours: the working hours of more than half of employees (56%) are stipulated by the employer without them having a say in the matter. On the other hand, only 18% of employees, including self-employed persons, set their own working hours. The Fourth Working Conditions Survey provides an insight into the working conditions in Europe. These reveal considerable differences: between individual Member States, "old" and "new" Member States, sectors, genders, self-employed and employed persons and between various age groups. Statements that make sweeping generalisations about high job satisfaction – like those in the consultation paper – are therefore extremely questionable due to the lack of differentiation.

The Fourth Working Conditions Survey also comes to the conclusion that over 80% of those surveyed are happy with their working conditions. However, this should be viewed cautiously as several detailed findings point to much lower satisfaction: over 45% of those surveyed strongly agree with the statement that their job is safe and almost 30% strongly agree that they have good friends at work. However, around 18% strongly agree that they have good development opportunities and less than 10% of them strongly agree that they are well paid for their work and have good opportunities for career development.

Work intensity clearly increased in the 1990s. An increasing number of employees report having to work at very high speed or under very strict time limits. The percentage of those that never have to work at very high speed fell from 36% to 21% between 1991 and 2005. During the same period, the percentage of those that never have to work to very strict deadlines fell from 31% to 19%. In 2005, 46% of employees in total stated that they had to work at least three quarters of the time at very high speed. The figure was 35% in 1990.

On the whole, we are critical of the fact that the consultation paper does not highlight the topic of health and safety in the workplace at all. However, measures to modernise worker protection as well as preserve health in the workplace are still a key area of responsibility and need to be adapted to far-reaching changes in the working world.

If mainly traditional physical strains and accident prevention were at the heart of preventative worker protection until now, there is now also among other things the fight against psychological workloads. This holds all the more in view of the ageing workforce and the prolongation of working life that the EU has set its sights on.

However, there is also a need for action with regard to compliance with worker protection regulations. The number of registered infringements increased in Austria by almost 13% from 1999 to 2004, from around 73,600 to around 83,000. There was a particularly strong increase in infringements of technical worker protection and work hygiene protection. The situation in Austria has been characterised by deadlock in recent years in terms of legislation dealing with the topic. Neither scientific nor practice-related new findings were converted into better worker protection regulations: this goes for a regulation on the manual operation of loads (to prevent illnesses to the musculoskeletal system) as well as the inclusion of new and lower limits for unhealthy working materials or a lack of activities for an Austrian law on promoting health and health prevention. Only minimum regulations were implemented in Austria in recent years, and these need to be implemented via EU directives (mandatory).

The AK calls for the pursuit of a balanced flexicurity strategy – it rejects the one-sided orientation to the flexibilisation wishes of trade and industry, which can be seen in many cases.

#### 4. Flexibilisation and flexicurity

The “flexibilisation” topic is raised first and foremost in connection with labour markets: the growth in job insecurity, high unemployment and non-standard work is “indicative of dual labour markets with strong ‘insider/outsider’ divisions”. Countermeasures need to be taken against these developments by reforming the labour markets, “offering genuine opportunity combined with ‘flex-security’ for all” (page 23).

The AK calls for the pursuit of a balanced flexicurity strategy – it rejects the one-sided orientation to the flexibilisation wishes of trade and industry, which can be seen in many cases. Sensible flexicurity “expresses the confidence to be able to accept and, even more importantly, devise a central dimension of current radical social change processes – the progressive differentiation of labour organisation, working conditions and living conditions – as the permanence of dynamism and change”.

All in all, the consultation paper’s analysis falls short for two different reasons: flexibilisation cannot be reduced solely to non-standard work (and unemployment) and therefore to an “insider-outsider dilemma”. As recent scientific research makes abundantly clear, flexibilisation does not stop at the so-called “typical employment relationship”.

The so-called “insiders” have also been affected for a long time by flexibilisation – which has been quite problematic in part. This is reflected among other things in increasingly longer and more flexible working hours set by employers, in more and more flexible pay variables and an increase in (restricted and local) mobility requirements. This is why the AK endorses the criticism voiced by the European Trade Union Confederation of the European Commission’s flexicurity concept, which gives priority first and foremost to flexibility, whilst neglecting the aspect of security.

In this sense, a flexicurity strategy also needs to be geared to both protecting and – where necessary – strengthening social rights, and legitimate flexibility concerns of workers (e.g. for greater autonomy timewise in order to cope with family duties) must also be taken into consideration. It involves among other things the following points: better legal protection of so-called “outsiders”, protecting the health of employed persons and invalidity prevention, better work life balance, strengthening training, further education and job-related learning, doing away with employment contract clauses that are detrimental to workers and hinder mobility as well as better social protection in the event of employment transitions or unemployment.

Incidentally, we would like to refer to the AK's position on the European Commission's Communication "Towards Common Principles of Flexicurity:

More and better jobs through flexibility and security" of 23.08.2007. ([http://www.akeuropa.eu/\\_includes/mods/akeu/docs/main\\_report\\_en\\_21.pdf](http://www.akeuropa.eu/_includes/mods/akeu/docs/main_report_en_21.pdf)).

The AK kindly requests you to take the above remarks into consideration during discussions at European and national level and to inform us about further developments.

For any further questions please contact

**Ms Ursula Filipic**

(expert of AK Vienna)

T +43 (0) 1 501 65 2228

ursula.filipic@akwien.at

**and**

**Mr. Norbert Templ**

(expert of AK Vienna)

T +43 (0) 1 501 65 2158

norbert.templ@akwien.at

**as well as**

**Mr. Christof Cesnovar**

(in our Brussels office)

T +32 (0) 2 230 62 54

christof.cesnovar@akeuropa.eu

**Austrian Federal Chamber of Labour**

Prinz-Eugen-Strasse, 8-10

A-1040 Vienna, Austria

T +43 (0) 1 501 65-0

F +43 (0) 1 501 65-0

**AK EUROPA**

Permanent Representation of Austria to  
the EU

Avenue de Cortenbergh, 30

B-1040 Brussels, Belgium

T +32 (0) 2 230 62 54

F +32 (0) 2 230 29 73