



EUROPA

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AK Position Paper

Communication from the European Commission on reinforcing the open method of coordination for social protection and social inclusion

## 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 Austrian Federal Chamber of Labour (AK) welcomes the European Commission's commitment to reinforcing the open method of coordination in the area of social protection and social inclusion (hereinafter: Social OMC).

As the Commission explains convincingly in its Communication, the situation of many people has not improved despite economic growth and an increase in affluence in the EU. Ever greater population groups in fact feel exposed to increasing social risks. We therefore believe that strengthening the EU's social policy is essential.

In connection with this, more important than reinforcing the Social OMC is however that social objectives need to at least be on an equal footing with the basic freedoms and currency stability in the economic and monetary policy instead of counteracting social policy agendas continuously with economic policy decisions. EU-wide legally binding minimum standards in the social realm should also be strengthened.

The AK supports close interaction whereby the Social OMC should be connected with the revised Lisbon Strategy in future. From our viewpoint, a balanced relationship between the economic, social, environmental and employment policy is indispensable for the future development of the European Union.

Although the AK supports the Commission's intention to reinforce the Social OMC, we feel that the proposals do not reach the required level in several areas. This concerns in particular opening up the coordination method to social partners and civil society, controlling or monitoring the implementation level achieved by the Member States in the individual policy areas and financial support for the implementation process involving social inclusion in the Member States.

The AK considers the establishment of objectives for the Social OMC regarding an open discussion process between governments, social partners and non-governmental organisations in the Member States to be particularly important. The Communication's most serious deficiency is that it lacks this step.

# The Position of the AK

The AK claims a gender-sensitive language for all documents.

The AK criticises the steadfastness of the European Commission's orientation towards the supply side. The opportunity of labour market integration for example by measuring the health status of the persons affected clearly falls short. Demand for workers – which is not high enough – in fact needs to be demonstrated.

In addition, it should be noted that gender mainstreaming as a universal principle also includes the use of gender-sensitive language – for all documents. This is unfortunately not the case and should be taken into account in future.

## 1. Suggestions for reinforcing the Social OMC

### Opening up the Social Protection Committee to social partners and non-governmental organisations

Such an approach is missing in the concrete Communication – a deficiency that is incomprehensible given the experiences in recent years. Anyone wanting to achieve effective and accepted reforms in the areas of poverty reduction, pensions and healthcare cannot solely count on the respective public institutions and their experts, but must endeavour to achieve acceptance by society as a whole. However, such acceptance can only be achieved in

terms of content as well as the implementation process by means of comprehensive inclusion of the social partners and the civil society organisations.

### Anchoring objectives that are as clear as possible

The AK welcomes the vigour with which the Commission addresses this aspect – even though we feel that a dialogue between the European institutions, the public institutions in the Member States, the social partners and the respective civil society organisations would be necessary when choosing and formulating the objectives.

### Better implementation monitoring and increase in the binding nature of the objectives

If the Lisbon Strategy has helped coordinate the employment and labour market policies, then the resolution for recommendations by the Council was a crucial element in this – outright Commission recommendations would scarcely be noted or registered in the Member States and would only be accepted by those in charge of policies as a stimulus for changes in practices.

Whilst we welcome an increase in the binding nature of the Social OMC in principle, priority should be given in any case to the introduction of legally

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binding European minimum (social) standards.

#### **Extending and improving the data situation as the basis for formulating objectives and monitoring implementation**

The AK welcomes an improvement in the data situation mentioned in the Communication (for information on the indicators: see below).

#### **EU financial aid for strengthening political coordination**

The European Social Fund (ESF) has made an important contribution to ensuring that the political coordination of national employment policies was actually able to be achieved. No government in the EU can afford domestically to operate a labour market policy that does not draw on ESF resources. From the AK's point of view, it would therefore be desirable if the coordination of social inclusion were supported by EU incentive instruments. In connection with this, the AK advocates reorganising the EU's receipts as well as its expenditures (in particular a reduction in spending on agricultural incentives in favour of greater support for national poverty reduction policies).

## **2. Evaluation of the objectives of the Social OMC**

### **Promoting equality between men and women**

The equality of men and women is an overriding goal and should be incorporated into the targets in this form. At present, this objective is only mentioned explicitly with regard to social protection, which would mean excessive restriction of the political areas. Clarification is needed here.

### **Impact on the eradication of poverty and social exclusion**

In the area of labour market participation, closing the income divide between men and women and creating general conditions that enable people to earn incomes that secure their livelihood are key measures for eradicating poverty. Both objectives should therefore be explicitly included.

We welcome taking into account particular groups of people with regard to their poverty risk. However, female poverty should not be treated only as a sub-section of the groups mentioned (child poverty, poverty among old people, the working poor), it should be treated as a separate topic. In addition, the group of migrants at particular risk of poverty should be explicitly taken into account in the targets and be furnished with corresponding indicators.

### **Funded and private (pension) schemes**

Promoting the affordability and security of funded and private schemes is mentioned as a goal of the open method of coordination in the area of social protection.

We would like to stress that funded and private pension schemes are exposed to high risks compared to contribution-based public schemes (uncertainty of the financial markets) and offer no solution for problems caused by demographics (need to liquidate enormous capital stocks in times of high numbers of elderly persons). As the latest development indicates once again, the contribution system is still the best instrument for compensating for fluctuations in the economy and the capital markets and safeguarding the population's pensions against inflation risks.

We should also not overlook the fact that public pension schemes are not profit-driven and their sole purpose is to provide the insured community with a pension, whereas private schemes – in so far as they are offered (like in Austria) by profit-driven financial service companies – are concerned more with their own profit interests.

As the AK sees it, pushing funded and private schemes wholesale offers no benefits to the population. On the contrary: shifting public and as a rule contributed-based old-age pension schemes towards private funded schemes would not save costs. At the

same time, the risks for those affected increase and likewise – based on experiences in most countries – lead to a reduction in social compensation in one's old age.

The fact is that many private funded systems are not secure enough and this should be improved. In Austria, trust in the so-called "second pillar" of old-age insurance has been severely weakened in recent years because many of the pensions paid out by the private pension funds have been drastically reduced. We believe that a valuable contribution to taking counter measures could be made at EU level by drawing up an overview comparing the safety mechanisms built into the various company pension schemes in the EU countries and by highlighting best practice examples. In addition, sound macroeconomic analyses of the long-term prospects of funded schemes would be welcome (effects of accumulating enormous capital and these capital stocks then shrinking later on in part etc.) and analyses comparing the distribution effects of funded private schemes to public schemes.

### **Transparent pension systems**

With regard to transparent pension systems, the wording "well adapted to the needs of women and men" is not very jubilant. The aim must be that men and women despite different lives have an independent right to a pension that secures their livelihood. Corresponding clarification is needed.

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The AK approves the creation of formulated indicators for monitoring the Social OMC. However, some indicators should be added to the list.

### 3. Evaluation of the indicators

The AK welcomes the creation of formulated indicators for monitoring the Social OMC. However, the following indicator should be added to the list at any rate:

- **Inequality in distribution of wealth**

The divide between poor and rich opens up continuously in the EU region. An additional comparison of private circumstances in the EU countries would be a lot more meaningful than just measuring income inequality.

In addition, two existing indicators should be supplemented as follows:

- **Point 6 Projected Total Public Social expenditures -> "private social expenditures" to be added**

A comparison of social expenditures within the European Union only makes sense if the private social expenditures are also taken into account as otherwise it is all too easy to gain the false impression that systems with low public – yet high private – social expenditures are the cheapest (and most efficient).

- **Point 14 Total health expenditure per capita -> "Division into public and private parts" to be added**

We should also see to it at any rate that private health expenditure is also taken into account and that the cost breakdown is

between public and private expenditure.

The AK kindly requests that these suggestions are taken into account when discussing the topic in future.



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