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AK Position Paper

Annual Growth Survey 2013

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.

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

Werner Muhm
Director

Executive Summary

On 28 November 2012, the European Commission presented its Annual Growth Survey 2013, which launches the third policy co-ordination cycle of the European Semester. In this context, the Spring Summit of the European Council in March 2013 will be particularly important, as the Survey provides the basis for the adoption of resolutions on policy guidelines for Member States with regard to fiscal consolidation, structural reforms and the promotion of growth.

In the following, the Austrian Federal Chamber of Labour (BAK) wishes to make its position clear regarding the overall message and recommendations of the Survey.

On the whole, from our perspective the Commission's Annual Growth Survey does not provide an adequate basis to do justice, even partially, to the massive economic and social problems in the European Union. Rather, the **current problems could in fact be exacerbated by the key recommendations of the Survey**, particularly by continuing with the **failed policy of austerity** referred to as a "necessary reform process", which throttles growth potential in the EU and drastically increases unemployment. Generally, it appears that little or no connection between economic policy action and economic development has been drawn. The weak economic

development is seen as being a consequence of an "external" crisis, although even the troika partner IMF itself acknowledges the restrictive effect of the policy of cuts in many EU Member States. Furthermore, the proposals regarding increasing the flexibility of employment protection and wage determination are an **attack on workers' rights** and therefore a glaring contradiction to the necessity of developing the social dimension of European integration.

The AK position in detail

Basic remarks on the economic and fiscal policy orientation of the Annual Growth Survey 2013

There is reason to fear that the **social crisis in Europe** will worsen in 2013 in view of the renewed decline in economic performance in several Member States and the continuation of austerity plans. Over 26 million people are currently unemployed in the EU. The unemployment rate could climb to a record high of 12% in the Eurozone in 2013. Over 44% of unemployed people are currently long-term unemployed. The disastrous impact of harsh austerity policy becomes clear when the Commission establishes in its Draft Joint Employment Report that long-term unemployment in particular has reached “alarming highs” in Member States “under strong fiscal consolidation”¹.

Young people are particularly affected by the crisis, with youth unemployment in the EU currently standing at over one in five. In Spain and Greece, the youth unemployment rate has long since climbed above the 50% mark. The **danger of a “lost generation”** and the increasing number of people at risk of poverty and social exclusion in numerous Member States illustrate the need for a change of course in order to overcome the present crisis and to build the foundations for sustainable growth, a high level of high-quality employment and social security in Europe. Although the Commission paints an unadorned

portrayal of the disastrous economic and social situation in the EU, especially as concerns employment, we note with astonishment and concern that it nonetheless does not forge a path away from the course of failed neo-liberal economic policy.

From the BAK’s perspective, the Commission’s current crisis management strategy is accentuating the economic and social problems in the EU instead of solving them. The **harsh austerity policy** implemented in Member States that receive financial assistance, along with the tightened economic governance rules, **reduces domestic demand, stifles potential for growth and employment** and furthermore leads to a failure to meet fiscal targets. Thus, the large and swift consolidation programmes, acting on the growing budget deficits, set a vicious circle in motion, whereby economic performance is throttled and unemployment increases and so in turn effective fiscal consolidation is weakened significantly.

It is particularly alarming that the Commission’s assumptions underpinning its policy recommendations underestimate the negative consequences of the austerity policy. Indeed, the Commission concedes the existence of short-term negative consequences of spending cuts under specific conditions, yet deems these to be without any alternative and of little relevance in the medium to long-term. However, the referred to “short-term” **negative effects** have lasting consequences **for millions**

¹ COM(2012) 750 final, Draft Joint Employment Report, p 2.

of Europeans such as unemployment, reductions in wages and salaries, losses in pensions and higher to no longer affordable expenditure for housing, energy, education and health.

Furthermore, the chances of meeting the **headline targets of the Europe 2020 strategy**, inter alia to increase employment and reduce the number of people at risk of poverty and social exclusion, are drifting **further away**. While the Commission states succinctly in the Annual Growth Survey with regard to the Europe 2020 targets that "overall Europe is lagging behind its objectives", an analysis of the causes is still pending. Yet it can scarcely be denied that the misguided austerity policy promoted by the Commission is contributing significantly to the failure to meet the objectives.

A new European growth and distribution model

1. In the following, we present the priorities that in our opinion should be at the heart of the EU in 2013. This includes measures aimed at finding a way out of the current crisis, as well as building the foundations for a new European growth and distribution model. Key guidelines for such a strategy are included, for example, in the "independent Annual Growth Survey"² (IAGS) published by the three economic research institutes OFCE, ECLM and IMK. In order to overcome the crisis, an important source of growth should be an **employment and investment offen-**

² OFCE/ECLM/IMK: independent Annual Growth Survey. First Report, iAGS 2013, November 2012.

sive in a sustainable social and ecological infrastructure, such as that stipulated by the Federation of German Trade Unions in its "Marshall Plan for Europe"³. This would allow investments in social housing or an increase in energy efficiency to not only provide a short-term stimulus, but also to lay the basis for long-term additional benefits. Well-developed social housing is the best guarantee for avoiding further real estate bubbles. A reduction in the use of fossil energy sources through thermal building insulation as well as investments in alternative energy production not only provide employment and growth stimuli, but also reduce trade balance deficits by decreasing imports of energy products, which are particularly high in Southern Member States. In addition, environmental damage which increases expenditure in the long run could be contained.

The **provision of high quality social services**, particularly in terms of childcare and care institutions, illustrates that the high demand for a smart, sustainable and inclusive growth strategy is possible with the right priorities. This is shown by leading European countries such as Denmark or Sweden, which have a high density of provision and quality in their social infrastructure and thereby achieve high female employment and low poverty rates, and are also among the countries that have handled

³ <http://www.dgb.de/repository/storage/d9715298-5590-11e2-8328-00188b4dc422/file/A-Marshall-Plan-for-Europe.pdf>.

the economic crisis relatively successfully. Furthermore, investment in social infrastructure can also relieve pressure on public budgets in the medium term.⁴ This is because taxes flow back from the additional employment achieved, and a higher employment rate leads to savings, particularly with regard to unemployment and pension insurance systems.

2. Focus must be placed on **strengthening domestic demand**. This should be achieved primarily through a productivity-oriented wage policy as well as an adequate fiscal policy. Moreover, the welfare state must be developed as its services are indispensable for stabilising mass demand.

The required **reduction of current account imbalances** within the Eurozone must be carried out **symmetrically**. This means that current account surpluses and deficits must be treated equally. Export surpluses which occur in economically stronger regions if imports are at a relatively low level due to weak domestic demand or greater productivity increases, must be used to ensure real wage increases for the vast majority of people in these countries and investments in the real economy. Countries with current account deficits need to make investments in education, alternative energies (in order to reduce oil and gas imports) and the development of productive forces to improve their economic position.

⁴ <http://www.arbeiterkammer.at/bilder/d128/Sozialstaat.pdf> (in German).

3. **Fiscal consolidation** should **be spread over time**, so that potential for growth and employment is not undermined. As the IAGS shows, room for manoeuvre of approximately 85 billion euros could be achieved in 2013 alone if the currently planned excessive consolidation measures amounting to around 130 billion euros (1.3% of GDP) in the whole Euro area were reduced to the minimum requirement according to the European fiscal policy obligations of 0.5% of GDP. If the excessive savings policy was limited also over the following years to merely the extent necessary in line with European legal obligations, according to the IAGS the average growth in the Eurozone between 2013 and 2017 could increase by around 0.7% per year.

Fiscal consolidation should be based on a **realistic medium-term** orientation and developed in the most **growth and employment-friendly manner**. Only in small areas of expenditure with little effect on demand or employment creation it makes sense to make savings despite the recession, such as imported military goods. Instead of a one-sided focus on expenditure cuts we must take steps to implement a coordinated increase in the top income tax rates along with property and capital-related taxes. In the short-term, **tax increases** that focus on the affluent section of society can lead to improving the deficit without any relevant loss in demand and employment. Additionally, coordinated and consistent steps must be taken to combat tax evasion and the use of tax havens, both within and outside the European Union.

4. By implementing a **social pact for Europe**⁵ it should be ensured that European integration promotes social progress. **Social minimum standards** that guarantee a high level of social protection shall be obligatorily established in the EU for all employees. There is a need for action particularly regarding general protection against dismissal, transfer protection, protection of employees against unfair contract clauses and continued payment of wages in the event of sickness or other important reasons that prevent employees from working. Similarly, in the area of social services European minimum standards should be created, such as a minimum net replacement rate for unemployment benefits. Furthermore, a training and employment guarantee is required for young people and comprehensive, non-discriminatory and affordable access to higher quality public services must be ensured.

Furthermore, - binding **wage floors** should be created in all Member States – primarily through the extension of generally applicable collective agreement systems. Only in countries in which this option is difficult to achieve, and where it is demanded by the respective trade unions, should minimum wages be legally established.

⁵ See e.g.: European Trade Union Confederation: A Social Compact for Europe, <http://www.etuc.org/IMG/pdf/EN-A-social-compact-for-Europe.pdf>.

Fundamental social rights, including trade union rights, must **be given priority over economic freedoms**. In addition, effective measures must be put in place to improve the **quality of jobs** and to combat precarious employment relationships. The principle of equal pay and equal rights for equal work at the same workplace must be ensured. In particular, effective measures must be established to **fight wage and social dumping** through the cross-border posting of workers. These measures should be accompanied by an active labour market policy, which contains initiatives particularly for supporting people who only have limited or no access to the job market. Furthermore, effective measures to reduce the wage gap between men and women are essential.

5. Due to financing problems in some Eurozone Member States, a reduction of real interest rates must be effected for these countries both for the public and private sectors. The current **partial reduction of the interest burden** by the ESM and indirectly by the ECB remains insufficient, particularly because the condition for access is a tight austerity policy, which hurts employment and growth and leads to social hardship. Even if conditions for those countries which, in a broad sense, receive support by means of a solidarity instrument are essential, they have to be designed in a way that is sensible and fair for the society as a whole.

6. The financial crisis has highlighted the dangers to economic growth that can arise from an overinflated financial sector. To prevent further financial market bubbles, decisive steps to achieve **effective and comprehensive regulation of the financial markets** are essential. Along with measures to guarantee a solid banking sector, it is also necessary to prevent the trading of financial products outside of comprehensively regulated trading exchanges and to regulate the shadow banking system. Furthermore, a financial transaction tax must be quickly implemented in the framework of enhanced cooperation.

Specific remarks on particular priorities in the Annual Growth Survey 2013

1) Fiscal consolidation

In principle a realistically applied, differentiated, growth and employment-friendly medium-term fiscal consolidation is welcomed, provided that it actually is indeed such an approach. From our perspective this would mean, for example, that the Member States with better economic performance would operate as drivers of growth to enable the Member States hit hard by the financial and economic crisis to participate in the positive spill-overs.

The harsh, short-term austerity plans in countries that receive assistance from the bailout funds have devastating consequences. Moreover, recent research results from the IMF show that the so-called **fiscal multiplier effect**, in other words the estimated reduction

of economic performance as a result of savings measures or tax increases, has been **massively underestimated** since the beginning of the crisis. This has resulted in the constant downward revision of economic forecasts, which form the basis for economic and fiscal planning, with the consequence that the consolidation of state budgets in countries such as Greece or Spain have hardly succeeded at all to date due to the losses in tax revenue that have been triggered as a consequence. Specifically, it has previously been assumed that the fiscal multipliers were around 0.4 to 1.2, in other words a billion Euros in savings leading to a 0.4 to a maximum of 1.2 billion Euros in weaker economic performance. However, the updated calculations result in values of 0.9 to 1.7. Furthermore, the negative effects on the unemployment rates have also been underestimated. Nevertheless, the Annual Growth Survey calls for a continuation of this policy: "For those Member States that have lost market access for the refinancing of their debt, a rapid pace of fiscal adjustment is required to urgently restore investor confidence"⁶. Once again the "confidence fairy" should save Europe – a controversial term that the Nobel Prize winner Paul Krugman coined already last year with his critique of the current policy.

We agree with the **priority given to investments in education, research, innovation and energy** as defined by the Commission and for **active labour market policies**. Additionally, the BAK also calls for an **increase in invest-**

⁶ COM(2012) 750 final, Communication from the Commission: Annual Growth Survey 2013, p 4.

ment in the productive infrastructure of the welfare state (from childcare to care), which can make a substantial contribution to reaching the Europe 2020 targets. However, we are critical towards the fact that the Commission treats these priorities merely from the perspective of fiscal consolidation. Instead, the Commission is invited to take its own priorities seriously and to criticise radical cutbacks, instead of persisting with its head-in-the-sand policy of accepting, for example, that public investments in the Eurozone, according to their own prognoses for 2013, will nominally only reach 85% of the pre-crisis levels.

The Commission's proposal to **align retirement age with life expectancy** is **flatly rejected** by us, along with every other form of automatic limitation or restriction relating to pension benefits. The average factual retirement age in Austria is several years below the statutory retirement age (which is also the case in many other EU countries). Considering this situation, the aim must be to reduce the gap between factual and statutory retirement ages, which is also in line with the Bad Ischl resolutions of the Austrian social partners from 2011 and 2012. In order to ensure this, age appropriate working conditions, improved health protection, an extension of rehabilitation and retraining opportunities for workers with impaired health and strengthened integration of older workers in in-firm training, must amongst others be put at the forefront. The best strategy for guaranteeing sustainable financing of high-quality systems of social security is to ensure the best possible integration into the labour market of people of working age, including all age groups.

In the area of tax policy, the proposal to shift the tax burden to taxes that are less harmful to growth and employment and to achieve "equitable redistribution" is welcomed by the BAK. In this respect we support the proposal for a **decisive reduction of taxation on labour, especially** in Member States in which it is currently comparatively high. However, in terms of **distributive justice** it has to be ensured that those taxes which are increased in turn are not incurred by low income population groups. An increase in consumption taxes that have a regressive effect must therefore be avoided. In this regard we criticise the fact that VAT has been increased in numerous Member States. The composition of environmental taxes must also respect the social balance. In any case the need for an EU-wide, coordinated increase is required for **property-related taxes**, which were excluded from the Annual Growth Survey with the exception of recurrent property tax. A coordinated approach at the EU level would be good for a number of reasons. Property-related taxes are among the taxes with the least negative effects regarding growth and employment and they also contribute to more distributive justice. Along with massive deregulation measures of the financial markets over the last few years, the increasingly unfair distribution of property played a substantial part in the onset of the financial crisis in 2008.

The BAK therefore welcomes the agreement by eleven Member States to introduce a common **financial transaction tax**. With the decision by ECOFIN on 22 January 2013, the path has finally been paved for the introduction of a common financial transaction tax by way of enhanced cooperation. With its

implementation, however, particular attention must be paid to ensuring that opportunities for evasion are excluded, as only then can it be guaranteed that Member States that intend to introduce a financial transaction tax also receive the tax revenue and that it also curbs those transactions that have no real economic value. In the medium to long-term, the objective should be a financial transaction tax in the whole of the EU.

In the Annual Growth Survey the need to **tackle tax evasion** is emphasised. This is welcomed, as according to estimates Member States annually lose around one trillion Euros in tax revenues due to tax evasion and tax fraud. To combat this effectively there must be a **coordinated approach** on the European level. Alongside measures that Member States must introduce primarily at the national level (equipping fiscal authorities with sufficient resources, introduction of corresponding anti-misuse provisions that are actually applied, etc.), relevant measures must also be put in place at Community level (strengthened cross-border cooperation of tax authorities in complex transnational evasion cases, automatic exchange of information, joint approach to combat tax havens, etc.). Closely related to the topic of tax fraud, yet completely missing from the Annual Growth Survey, is the subject of **harmful tax competition** in the field of corporate taxation. Curbing this effectively requires the introduction of a common consolidated corporate tax base, which must be mandatorily applied to transnational companies, as well as a minimum tax rate.

2) Restoring a normal level of credit lending to the economy

With regard to the section dealing with reinstating a normal level of credit lending to the economy, it should be noted that the weak growth of business credit is not only a result of supply factors, but also of **demand-side factors**. For example, the cash position of the Austrian business sector, according to sector accounts in the national accounts and the national financial accounts, is so high that measured on the average investment volume, funds for investments are available for more than the five quarters. Above all, the weak credit growth also indicates reluctance to invest due to **lower market expectations**. Demand-side measures and above all a more balanced approach towards budgetary consolidation measures are therefore at least as important for the revival of investments as the currently rather selective supply-sided restrictions on credit provision.

It should also be ensured that in the event of a possible **recapitalisation of credit institutions via the ESM**, conditions must be placed on **the financial sector** rather than on the Member States. Problems of credit institutions should not lead to interference in social systems or collective bargaining. Furthermore, it has to be ensured that there is a strict condition that a bailout (recapitalisation) cannot be given without a prior 'bail-in' (participation of owners and creditors). The development of restructuring and resolution laws for financial institutions are to be further promoted on the European and national levels.

With regard to "**promoting new sources of capital**", the BAK warns that this (for example, for credit lending between companies) can be used as a means to

bypass credit lending regulations for banks, and businesses could operate as shadow banks.

Additionally, we must also pay attention that the expansion of opportunities to issue corporate bonds and the simplified access to risk capital does not promote **shadow banking** and undermine **minimum standards** for example on **transparency and risk management**. Fund securitisation and careless handling through the disintegration of risk controls and risk assumptions considerably contributed to the onset of the financial crisis. At most it would be conceivable to ensure assistance by drawing up a prospectus.

3) Promoting growth and competitiveness

Generally it must be reiterated that the unilateral **supply-sided neo-liberal orientation of European economic policy is doomed to failure** and is not in the position to offer real prospects to the 26 million unemployed in the EU. The obsessive focus on competitiveness⁷ obscures the fact that the EU as a whole sells almost **90% of its goods and service production** on the European **internal market**, and is therefore dependent on its domestic demand, and that competitiveness is a relative concept, as a better performance in one Member State leads to a weaker performance in all other Member States. The "success" of this concept also manifests itself in decreasing economic performance in

⁷ A detailed critique can be found by Feigl/Zuckerstätter (2012): Wettbewerbs(des)orientierung http://wien.arbeiterkammer.at/bilder/d181/MWUG_117.pdf (in German).

the reform-willing Member States, as increased exports cannot compensate for the negative effects of the structural reforms primarily on wages - and therefore on domestic demand.

Moreover, an effective supply-oriented economic policy would rely on public funds – and therefore inevitably it poses a contradiction to the EU's highest priority, namely budgetary cuts at all costs.

We agree with the call by the Commission to foster **innovation and technology** and to intensify public and private investment in research and development. Yet in many countries, such as Austria, private investment must increase disproportionately, given that the share of public authorities in the financing of R&D spending in Austria (39%) is much too high (the EU target is a third at maximum).

The Commission also calls for an abolishment of specific obstacles to **activity in labour-intensive sectors** (such as the construction industry, tourism, etc.). In view of the general thrust of the Annual Growth Survey, we regard this as a recommendation to reduce employee protection, which we categorically reject. Particularly in these sectors which often have bad working conditions, employee protection must be improved.

The Commission's proposal to implement a gradual phasing out of regulated **energy prices** is strongly rejected by us. The decision regarding whether or not to regulate energy prices should remain with the Member States.

A further **liberalisation of rail passenger transport** is flatly rejected. Firstly, the effects on growth and employment are at best of little relevance, and secondly there is no positive correlation between liberalisation and distribution of market share, the quality of railways or customer satisfaction. Rather, the examples to date demonstrate that non-liberalised railways (like in Switzerland) far and away have the edge on those that have been liberalised. The currently existing autonomy regarding whether to directly assign or tender operation of the railways according to the PSO Council Regulation must remain with the Member States.

The Commission's analysis to date on road transport and particularly its proposal relating to **cabotage**, i.e. the provision of transport services within a Member State by a company from another Member State, is largely contradictory and fully unacceptable from a transport policy perspective: due to the very different social and wage levels in EU Member States companies from countries with strict employee protection provisions and high minimum wages attempt to replace their workers with a workforce from countries with lower social standards - this amounts to **social dumping**. Therefore, the cabotage provisions must not be further liberalised as long as there is no alignment of social standards.

4) Tackling unemployment and the social consequences of the crisis

We broadly agree with the finding in the Annual Growth Survey regarding the **alarming extent of unemployment and the social consequences of the crisis**. Unemployment is rising alarmin-

gly and there is a danger that it is becoming increasingly structural in nature. Poverty and social exclusion are increasing and the pressure on the social security systems impinges upon their very capacity.

It is with great concern that we note that key policy recommendations by the Commission correspond to the completely misguided conclusion whereby primarily insufficient flexibility in the labour markets would be responsible for the bad employment situation. Thus the Commission ignores the fact that **high unemployment is a result of the economic crisis and the mistaken crisis management policy**. In addition it ignores the actual development in countries such as Spain, where the fall in employment in 2012 has directly accelerated as a result of the reduction of labour market standards.

We categorically reject, therefore, the recommendations by the Commission that target further deregulation of the labour market:

- **We emphatically reject** the measures referred to with praise as "ambitious reforms" **which deteriorate employment contracts** at the expense of employees. The reduction of severance pay relating to dismissals, the increased flexibility (i.e. softening) of wage determination and the opting out from collective agreements for individual sectors not only lead to a weakening of employees' rights, which is vehemently rejected, but primarily also a deterioration of workers' incomes. At this juncture it has been completely forgotten that the development of the economy is also

hugely dependent on domestic demand, which will be weakened by such measures. These proposals are therefore vehemently rejected, as they are short-sighted not only from an employee perspective, but also on economic grounds.

- The note that **unemployment benefits** should be reviewed with regard to whether the eligibility requirements and the amount payable stand in the way of a quick return to work, misses the actual problem entirely. In reality there is a lack of jobs, which can hardly be remedied through tighter provisions regarding acceptance of a job. It is rather a question of creating sufficient employment opportunities and shaping the conditions for provision of unemployment benefits to ensure periods of unemployment do not lead directly to a poverty trap, but rather that people will be supported effectively whilst seeking new employment.
- Reducing differences regarding **employment protection** for different types of work contracts, as promoted in the Survey, can only mean from the perspective of the Commission a **harmonisation at the lowest level**, which we **clearly reject**. Job security is of key importance particularly during periods of increasing unemployment and social exclusion. Reducing employment protection leads to increases in unemployment and social exclusion for those directly affected. For employees who are not directly affected by reductions of jobs, lower protection against dismissal leads partly to demotivation and psycho-

logical consequences, which have a negative impact on productivity.

- The proposed **softening of wage setting**, with the obvious goal of weakening the trade unions and reducing wages, is **flatly rejected** from a social and economic perspective. Wage-setting systems are the responsibility of the social partners, whose autonomy should not be interfered with under any circumstances, and they are regulated at the national level. The Commission is urged to respect the diversity of national wage-setting systems.
- We also cannot agree under any circumstances with the implicit recommendation to facilitate mass dismissals. The experiences of Member States such as Austria and Germany in 2009/2010 have shown that precisely in times of economic difficulties **maintaining staff** is an essential factor for companies in order to overcome the crisis as quickly as possible. The **short-timeworking model** has proven to be effective for employees and businesses, as they were able to fall back directly on a qualified workforce in the event of new orders. The intensive and mandatory inclusion of company-level and supra-company social partners was one of the success factors in Austria in this regard. . The BAK thereby recommends maintaining this method to thus ensure sufficient "good practice" exchanges.
- In the event that despite the application of all labour market policies for crisis intervention, terminations

or mass dismissals are unavoidable, support is of vital importance for laid-off employees to reintegrate them into the labour market. Currently there is still the opportunity to receive additional European funds from the **Globalisation Fund**. This fund is currently obviously being called into question as an important instrument for employees who have lost their jobs and its de facto re-dedication as another agricultural fund is being discussed. The Austrian Federal Chamber of Labour strongly calls for maintaining and appropriate funding of the Globalisation Fund **for the support of employees** and is against dedicating a large part of this fund to agriculture.

Other recommendations for tackling unemployment can be agreed with in part:

- The recommendation for maintaining and reinforcing an **effective and productive public employment service** is welcomed. In European comparisons, Austria has one of the best public employment agencies. One of the success criteria is the intensive inclusion of social partner organisations, which can ensure a balanced reconciliation of interests of all the relevant groups. Over recent years this has proven to be a particularly successful means of developing and implementing an effective labour market policy in Austria.

Similarly the recommendation for increased application of **individual support for job seekers** is welco-

med. In Austria such models, which include elements of case management, are being piloted and will be applied in the future more specifically to groups of people who are far removed from the labour market.

- We strongly support the recommendation for increased deployment of measures relating to active labour market policy such as training measures for the unemployed or mobility support. Both **funded initial training** and **further education** such as retraining for other jobs in the event that employment in the initial learned job is no longer likely or no longer possible on health grounds are to be encouraged and developed.
- The **increase in labour market participation particularly by women** is one of the most important challenges of the European labour market. The Commission's recommendation to push for the development of child care facilities is expressly endorsed and shared by us. However, we do not share the blanket attribution by the Commission that this would benefit the participation in working life of second earners. Generally it can be criticised that recommendations for gender equality in the labour market are lacking in the Annual Growth Survey.
- The Commission's proposal to **subsidise the employment of disadvantaged groups in the labour market** is a labour market policy instrument that has already been used in Austria for years. Assess-

ments confirm the benefit of such support and the positive effects if the target group of job seekers is clearly defined and limited to people whose reintegration in the labour market is particularly difficult. However, although these restrictions are applied to a large extent in Austria, the deadweight effect amounts to 50%. Therefore, the application of wage cost support is only sensible when it is not a general support approach for the low wage sectors, but rather the job seekers are placed at the heart of the support and sufficient control mechanisms are also at hand. A **further development of wage cost subsidising** is therefore **inappropriate**.

Moreover, the Annual Growth Survey lacks any targets regarding improving the **quality of employment**. Quality targets (e.g. level of income, legal protection, opportunities for further development, employee involvement) should at least be of equal importance to quantity targets.

In view of the drastically increasing unemployment levels among younger people, a priority objective of the European Union must be to **reduce youth unemployment in Europe significantly** and to give young people the chance to complete an initial training, thereby building the foundations for sustainable entrance into the labour market. The Austrian example clearly shows that dual education – which was cited as a recommendation once again in the Annual Growth Survey – can be a successful approach in the labour market. It is essential, however, that there are sufficient and adequate alternatives available for those who do not get an

apprentice position in a company. From our perspective, the definition of a general, measurable EU target to reduce youth unemployment and the commitment to a youth guarantee would be crucial.

- The **introduction of youth guarantee systems** is thus absolutely positive and worthy of support. However, if this remains merely a recommendation which ultimately leaves it up to Member States to decide whether to put in place actual initiatives, a consistent implementation is more than doubtful. Furthermore, the sufficient financing of youth guarantees is not ensured. The Communication merely mentions the ESF as an exclusive European co-financing instrument. The budgetary make-up of the ESF is, however, insufficient to be able to meet all the expectations.

Therefore, in addition to establishing more binding substantive targets which must be pursued to combat youth unemployment, the **structural** and the **financial frameworks** need to be created. The BAK thus requests that in the next multiannual financial framework additional funds of at least 40 billion Euros should be earmarked to combat youth unemployment through a decisive increase of the ESF and/or the creation of a youth employment fund.

- The Commission also mentions **internships** as a further measure to combat youth unemployment. However, in our opinion these are currently only of a very limited suitability with regard to making an actual contribution to combating youth unemployment, as the focus

is often on cheap and non-binding labour instead of a valuable practical supplement to theoretical education.. The Commission's intention to define a quality framework for internships is therefore of particular importance.

- The intention to strengthen the integration of young people into the labour market by means of **company start-ups** is only realistic and preferable on a very limited scale. Hastily founded companies often lead straight to excessive debts and even the destruction of livelihoods. With regard to **education, it is essential in our opinion that the education systems allow for greater national and Community-wide recognition of qualifications and competencies.**

In principle the measures promoted in the section "**Promoting social inclusion and tackling poverty**" are welcomed from our perspective. However, it is vital here that

- the ideas are put into action by making the necessary financial means available,
- a common contact point for social welfare services (in the Austrian case: **needs-based minimum benefit system**) and activation measures requires the genuine political willingness of all the groups concerned (in Austria primarily federal and federal states) and
- a **phasing out of measures** to promote social inclusion and tackle poverty **after the end of the economic crisis cannot be supported at all**, not least because the social security systems in most European

countries over the last few years have already been massively reduced due to the pressure of austerity measures.

On the whole the measures to tackle poverty are insufficient in the BAK's opinion, given that they lack clear commitment to an egalitarian distribution policy.

5) Modernising Public Administration

The basic idea of simplifying the regulatory framework for companies should not lead to **employee protection provisions** being abolished or weakened, even if they involve a certain administrative burden for companies. Likewise, the benefit or protection purpose of information obligations should not be disregarded, given that high quality and quantity of information is indispensable for the functioning of the internal market – particularly for employees and consumers. An overly hasty abolishment of regulations under the guise of simplifying administration through disregard of their purpose should be avoided. In the same regard, alternative dispute mechanisms should not be established in such a way that they undermine the national legal system.

With regard to **public contract awards**, the BAK advocates a **paradigm shift** and requests that **social, environmental and qualitative considerations** should have increased significance in procurement processes. As procurement law is not only an instrument that should create fair conditions for all potential bidders, but is also an administrative instrument for the public authorities in shaping policy. Ultimately, it is about the use of tax revenues – public

authorities hence have a role model function in their purchasing behaviour.. The binding implementation of collective contracts would be of prime importance here along with allowing the exclusion of businesses that have regularly breached labour law in the past, and the limiting of sub-contracting. The BAK opposes **the current proposal concerning a concessions directive**, which would be applicable in the field of public services provision, such as water supply.

Should you have any further questions
please do not hesitate to contact

Nikolai Soukup

T: + 43 (0) 1 501 65 2159
nikolai.soukup@akwien.at

as well as

Georg Feigl

T: + 43 (0) 1 501 65 2636
georg.feigl@akwien.at

and

Amir Ghoreishi

(in our Brussels Office)
T +32 (0) 2 230 62 54
amir.ghoreishi@akeuropa.eu

Bundesarbeitskammer Österreich

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