

## Position Paper

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### **Communication from the European Commission to the European Parliament and the Council on Strengthening the Social Dimension of the Economic and Monetary Union (COM (2013) 690) from 2 October 2013**

On October 2nd 2013 the European Commission has published a communication on the strengthening of the social dimension of the Economic and Monetary Union (EMU). The communication is a continuation of the blueprint for a deep and genuine monetary union and responds to a call by the European Council in December 2012 to present possible measures on the social dimension of the EMU, including social dialogue and enhanced involvement of the social partners. The European Council in its summit in July 2013 has also underlined the important role of social partners on the European and on the national level.

- **ENHANCING ECONOMIC GOVERNANCE AND STRENGTHENING THE SOCIAL DIMENSION OF THE EMU**

The Austrian Chamber of Commerce welcomes enhanced economic governance structures on EU level and a deepening of the EMU. The economic and financial crisis has revealed weaknesses of the current system that need to be addressed. In our view, strengthening the social dimension of the EMU can contribute to a more comprehensive economic governance. There is not necessarily a contradiction between economic considerations and socio-political measures.

In accordance with the objectives of the Europe 2020 strategy, it is also crucial to not lose sight of the lack of competitiveness of Europe compared to other economies. If a decrease in Europe's competitiveness becomes evident, appropriate measures have to be taken that aim at boosting growth and employment and at reducing poverty through more jobs and better education.

We believe that the economic governance of the EU has been strengthened considerably through the six-pack, the two-pack and the fiscal compact. In the short and medium term the emphasis should now be put on the implementation of the existing instruments.

- **REINFORCING SURVEILLANCE OF EMPLOYMENT AND SOCIAL CHALLENGES AND STRENGTHENING POLICY COORDINATION**

From the WKÖ's point of view it would be sensible to extend the scope of the macroeconomic and budgetary surveillance that is carried out in the context of the European semester by adding employment and social policy monitoring/supervision to it. However, the question, which consequences the results of the employment and social monitoring would entail, is still open. The consequence must definitely not be the frustration of measures that need to be taken due to the macroeconomic imbalances procedure.

For the macroeconomic imbalances procedure the development of unit labour cost is already monitored at EU level by the Commission. Since national wage setting is in the competence of the national social partners, it is essential to involve national social partners in the monitoring process at an early stage - with due respect for the autonomy of the social partners for collective bargaining. A dialogue on wage developments between the Commission and the social partners should take place through existing fora for social dialogue.

In many member states, labour market institutions administrate unemployed people rather than assist them in finding a job. The exchange of best practices and the potential transferability of best practice examples for active labour market policies could be supported more efficiently by EU funds.

- **DEVELOPING A KEY EMPLOYMENT AND SOCIAL INDICATORS SCOREBOARD**

The WKÖ welcomes the proposal to adopt a key employment and social indicators scoreboard. However, while current figures are available for most indicators, the statistic figures on the risk of poverty and inequality are usually available only with a two-year delay. It is questionable if the inclusion of these two indicators in the scoreboard makes sense, given that the statistic material would be relatively old.

The proposed lower age limit for the participation rate (15-64 years) is rather low. This contradicts to a certain extent the EU's educational targets, like e.g. the Europe 2020 target to raise the share of citizens holding tertiary education degrees. Though, within this indicator it would be necessary to differentiate between young people in the education/vocational training system and those who are unemployed.

- **TAKING EFFICIENT ACTION FOR YOUTH EMPLOYMENT**

To enhance the employability of young people it is important that their vocational training focusses on essential skills that are demanded on the labour market. Therefore, an early involvement of apprentices in practical work in companies is essential. When implementing the youth guarantee to combat youth unemployment in Europe, this aspect has to be particularly taken into account. In order to reach this goal it must be made attractive for companies to enter into cooperation with schools and to become a training company for apprentices. Co-ownership, i.e. close cooperation with the companies in the planning and organising of the vocational training system is therefore essential. This can be done with the help of chambers and other professional associations that are structured along regional and sectoral lines and represent a link between the companies and the state.

In countries with a well-functioning dual education system, like Austria, Germany or Luxemburg, chambers of commerce and industry and other professional associations play an important role in the organisation and provision of vocational and further training. The WKÖ is happy assist other chambers in the development of dual education systems.

SMEs are the backbone of Europe's economy and a major source of employment. Thus, they need to be strengthened in order to combat youth unemployment. Those SMEs who hire unemployed young people should benefit from more favourable conditions for access to finance. The EIB is going into the right direction: The "Skills and Jobs - Investing for Youth" programme that was launched in July 2013 provides loans for European SMEs via the respective company's local bank if the company hires an unemployed young person. This programme must not be terminated at the end on 2013, it must continue with an equally high budget (3 bn. Euro) also in 2014.

- **STEPPING UP ACTION ON EMPLOYMENT AND LABOUR MOBILITY**

In our view, EURES is an important tool for better matching supply and demand of labour within and between European labour markets. In order to fully fulfil this function and thus to facilitate labour mobility in the EU it is, however, necessary that the member states clearly commit themselves to actually upload their vacancies to the EURES system. We also believe that an automatic translation tool, such as the new ESCO tool, is essential for the functioning of EURES. Although in general the knowledge of the local language is very helpful when looking for a job, it is important to create the possibility to get an overview of the job market in other countries

beforehand. The planned reform of EURES - which has to be carried out quickly - should establish a direct connection between EURES and ESCO.

If we want to encourage more EU citizens to apply for jobs in other EU countries, it is necessary to take action at a very early stage. The European identity and consciousness of young people are to a high extent shaped by experience that these people make abroad. Through studies or internships abroad young people gain professional and social skills that are essential on the international labour market already before they enter the labour market. This significantly enhances their employability. With the aim to promote this effect, the WKÖ supports EU exchange programmes for apprentices and students in secondary and tertiary education.

- **DEEPENING THE EMU - BETTER COORDINATION AND ENFORCEMENT OF STRUCTURAL REFORMS THROUGH BILATERAL TREATIES**

We generally welcome the proposal to establish a mechanism for better coordination, convergence and enforcement of structural reforms based on individual agreements between the member states and the EU institution. This can strengthen the political will to carry out structural reforms on the national level, keeping in mind the European perspective. Structural reforms would have a positive effect on the competitiveness of the euro area and of the EU, and they can ensure macroeconomic stability.

It is absolutely necessary that an intense technical and political dialogue is held between the member states and the EU institutions concerning these agreements and the respective measures. There needs to be a high level of transparency, accountability as well as flexibility in case of a major unforeseen event, such as an economic slump or a natural disaster.

- **CREATING A FISCAL CAPACITY WITH SHOCK ABSORPTION FUNCTION**

The WKÖ is not in principle against the establishment of a fiscal capacity with the function to absorb asymmetric shocks. However, we want to point out some problematic points:

First of all, it must be made clear who would have to contribute financially to such a capacity. All EMU members, or maybe only the net-contributors to the EU budget? In the first case a reduction of contributions should be given priority over transfer payments. We should also wait and see how the short and medium term measures take effect and assess their impact first.

From the WKÖ's point of view it is also problematic that the establishment of a fiscal capacity would imply taking the path towards a transfer union. Fiscal solidarity without a sufficient degree of conditionality could entail a serious moral hazard problem and possibly encourage free-rider behaviour within the EMU, which is especially problematic from a net contributor's point of view.

It must be made sure that the fiscal capacity is used only selectively for targeted financial assistance and does not turn into a permanent transfer payment system. The burden of the absorption of shocks must not lie on the shoulders of just a few countries.

The Commission has proposed to link structural reforms to financial aid from the fiscal capacity through bilateral treaties between a member state and the Commission. In our view, this is highly problematic because such a link runs the risk of encouraging moral hazard (rewarding countries that work inefficiently and that implement reforms with delay). Also, it would not be possible to prevent deadweight effects and determine which reforms would have been carried out also without financial support by the EU.

The creation of an autonomous eurozone budget would necessitate a treaty amendment. We don't foresee such an amendment in the near future. Therefore, and in the view of the current challenges, this instrument has no priority for us at the moment.

A common fiscal capacity cannot substitute better fiscal discipline and economic governance.

A more accurate assessment of the fiscal capacity can be provided as soon as more detailed information on the selected approach is available.

- **MAKING BEST USE OF EXISTING FORA OF SOCIAL DIALOGUE**

The WKÖ shares the opinion that we have appropriate fora for the social dialogue on the EU level. However, they should be used more efficiently and their composition should take better account of the actual situation.

The active and comprehensive participation of social partners is necessary to ensure that the European social dialogue remains a core element of the European social model. Strengthening the social partnership approach at the European level can help to boost the dwindling public confidence in the EU. Therefore, the WKÖ supports the inclusion of a preferably large circle of social partners in the tripartite social summit and the macroeconomic dialogue.

Therefore, in addition to BusinessEurope, CEEP and UEAPME, the European chambers' association EUROCHAMBERS should be included in these fora. In almost all European countries chambers play a central role in the educational system (e.g. in AT, GER, LUX for the dual educational system). This aspect needs appropriate representation in the European social dialogue. Since the tripartite social summit is not the place where questions of social and labour law are negotiated, it should - in addition to the official European social partners who usually conduct such negotiations - be opened also for other players such as EUROCHAMBRES and thus become a more inclusive body.

In addition to strengthening the existing macroeconomic dialogue at EU level, a macroeconomic dialogue in the euro area should be set up to ensure closer coordination of national macro-policies for the euro area in the future. This would facilitate an exchange of views on topics such as the general economic and labour market situation (including vocational training), the development of productivity and wages, and the risks associated with macroeconomic imbalances. The dialogue would thus lead to a better understanding of the situation in the individual euro-countries.

In order to provide the European social partners with the necessary input for discussion within the macroeconomic dialogue in the euro area, and to ensure effective implementation of the results on the national level, increased participation of national business representatives and trade unions in the social dialogue of the euro area would have to be ensured. This dialogue would, of course, have to respect the full autonomy of the national social partners with regard to wage negotiations.

The meetings should be held twice a year. A reasonable time would be in spring, before the preparation of the integrated guidelines and national reform programmes and in fall before the preparation of the annual growth survey. The meetings should be confidential and not much formalized so that a substantial debate can be held.

- **CONSULTATION WITH SOCIAL PARTNERS DURING THE EUROPEAN SEMESTER PROCESS**

In 2012 the European social partners were for the first time consulted prior to the preparation of the annual growth survey, this was repeated in 2013. We explicitly welcome this practice and

call for a continuation. Furthermore, the social partners should be included in all phases of drafting the yearly strategic guidelines and recommendations, flagship initiatives and instruments for growth and employment.

The involvement of the national social partners in the preparation of national reform programmes and programmes for stability and convergence is organised very differently in the individual member states. In order to ensure the effective implementation and monitoring of these programmes, continued involvement of and close cooperation with the social partners is essential.

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