

# **Setting the course for a social Europe: A change of policy now**

**ÖGB demands on the Austrian EU-Council Presidency**

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**Resolution of the ÖGB Federal Executive Board  
28 March 2018**

**Proposed motion to the ÖGB Federal Congress  
12-14 June 2018**

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# Contents

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- Setting the course for a social Europe: Change of policy now ..... 3**
- CRITERIA FOR THE EU PRESIDENCY ..... 5**
- Subsidiarity yes, but get it right: A Europe that protects workers ..... 5
- Fighting resolutely against wage and social dumping ..... 6
- For a strong Pillar of Social Rights: From proclamation to action ..... 6
- Digitalisation and labour 4.0: Launching initiatives for an EU White Paper on the future of labour and the fair distribution of digitalisation profits ..... 7
- Post Brexit: Drawing the right lessons, focussing on workers ..... 8
- EU reform: Deepening the Economic and Monetary Union (EMU) ..... 8
- The fight against tax fraud and tax evasion ..... 9
- Shaping a fair European and international trade policy ..... 10

## **Setting the course for a social Europe: Change of policy now**

*In the second half of 2018, Austria will take over the EU-Council Presidency for the third time. It is the last Presidency before the elections to the European Parliament, during which it will be possible to move forward important issues.*

*The ÖGB will judge the Austrian government on its actions. We expect the government to take the aspiration to its own Presidency (“A Europe that protects”) seriously and to take appropriate initiatives that ensure living and working conditions of EU-citizens; even though there is still a great deal of uncertainty throughout the EU:*

- *For a Europe, which does not adopt social policy under the slogan "subsidiarity" but protects its citizens through high social standards and finally brings the Union back together socially and economically ("convergence").*
- *For a Europe, which protects workers against unfair wage and social dumping and in which a powerful “European Labour Authority” enables its cross-border control.*
- *For a Europe, that understands digitalisation not only in technical and economic terms but which makes good working conditions and income as well as the protection against increasingly precarious forms of employment an integral part of the EU Commission’s digital agenda.*
- *For a Europe, which backs a strong social pillar as a counterbalance to the economic market freedoms in the Single Market and does not jeopardize high Austrian social standards under the pretext of "gold plating".*
- *For a Europe, which perceives “Brexit” as an opportunity for policy change and protects Europe from a race to the bottom with Britain for the lowest social and tax standards.*
- *For a Europe, which in respect of deepening the Economic and Monetary Union focusses on a balanced employment and wealth-oriented economic policy, fair distribution as well as a solid social security system. To achieve this, more budgetary scope for public investments in the future (Golden Rule) is essential.*
- *For a Europe, which effectively protects its citizens against the ruinous impact of tax dumping, tax fraud and tax evasion; and which fundamentally corrects the course of trade policy.*

*The “Subsidiarity Pact” announced in the government program gives rise to the fear that the priorities of the Austrian Presidency will rather go into the opposite direction. There is no single indication that the social standards in the EU will be strengthened.*

*However, a withdrawal from the Social Europe under the ideological battle cry of “Gold Plating” does not mean any protection for workers. Such a policy endangers the interests of workers in Austria and throughout Europe and intensifies the drifting apart of the EU.*

*The Austrian EU Presidency has to reset the course in Europe to social and economic convergence, which benefits all people.*

*Hence, the ÖGB and the European trade unions request a Social Pact, which combines the most important initiatives for a social and economic change of policy in the EU and which at last corrects the Union's critical construction fault: the subordination of fundamental social rights to economic freedoms has finally to end. This clarification should be made within the framework of a Social Progress Protocol, which has to be integrated in the EU's primary law.*

## **CRITERIA FOR THE EU PRESIDENCY**

*In concrete terms, the ÖGB has issued eight thematic touchstones to the Austrian Federal Government for the Austrian EU-Council Presidency in 2018. Based on these requirements, we will judge whether the Federal Government is working on behalf of “A Europe that protects” in practice:*

### **Subsidiarity yes, but get it right: A Europe that protects workers**

In accordance with the meaning of correctly understood subsidiarity, disproportionate and interventions contrary to European law by EU institutions in national legislation and in social fundamental human rights have to be in the past.

This also includes the interference by the EU Commission into Austrian pension policy and initiatives relating to the European Company law, which time and again endanger the Austrian codetermination standards (most recently by the "single-member company SUP").

*The ÖGB demands:*

- The principle of subsidiarity must not be misused to demand a withdrawal of the EU from social policy. The EU Treaty explicitly calls for the improvement of living and working conditions and their convergence in the entire EU “along the path of progress”. Hence, the EU must not cease, to create social standards at the highest level possible for the entire Union, which, however, under no circumstances, should lead to a lowering of higher national standards (non-regression clause).
- The demand for a lowering of national (here: Austrian) standards to EU level, which was voiced within the debate on alleged “Gold Plating”, completely ignores the function of European minimum standards. If EU directives were to be understood as “maximum level”, this would lead to a decline in Austrian social protection levels. This would be completely unacceptable.
- Under the titles “Better Legislation”, “REFIT” and the guise of “Reduction of Administrative burden”, the EU Commission has been pursuing a systematic strategy of legal simplification for years. However, this review of EU law has to improve people’s working and living conditions and must not unilaterally pursue the objective of competitiveness.
- What Europe needs instead of a “Subsidiarity Pact” is a comprehensive European Social Pact with its core being a Social Progress Protocol ensuring that social rights in the EU are no longer subordinate to the economic freedoms of the Single Market.

## **Fighting resolutely against wage and social dumping**

The dramatic increase of wage and social dumping in the EU Single Market must be tackled and stopped effectively. Otherwise, the confidence of workers in the EU will continue to decline. The current figures are alarming. In regions close to the border, up to 61 percent of all foreign posting companies are engaged in wage dumping – the exception is increasingly becoming the rule. In most cases, administrative penalties related to wage and social dumping cannot be enforced across borders.

### *The ÖGB demands:*

- The proposed European Labour Authority must be established as soon as possible as a separate agency and legal entity. As a “Labour Protection Authority” it must focus on fighting cross-border wage and social dumping, and help enforcing penalties and sanctions across borders against fraudulent posting companies.
- Austria would be predestined for the seat of the new Labour Authority, due to its Europe-wide exemplary wage and social dumping legislation. Furthermore, it has acted as a “hotspot” of labour mobility in the past and the Federal Government should take firm action in Brussels to ensure that the labour authority is set up in Austria.
- The principle “equal pay for equal work at the same workplace” must be enforced in practice and in all sectors. The Austrian law against wage and social dumping should serve as a benchmark for a new EU Directive, which requires all nation states throughout Europe to prevent wage and social dumping. At the same time, unfair competition in respect of the social security contributions of posted workers has to end.

## **For a strong Pillar of Social Rights: From proclamation to action**

The EU and its Member States have to ensure comprehensive rights and standards of protection for workers. The race to the bottom has to end. The “European Pillar of Social Rights”, which was solemnly proclaimed at the social summit in Gothenburg in November 2017, is a first step in the right direction and has to be implemented by binding regulations under Austrian Presidency to make sure that workers and unemployed people will benefit from it.

### *The ÖGB demands:*

- The implementation of the Social Pillar requires an ambitious social policy action program of the EU Commission, which, with consistent involvement of the social partners, has to include a concrete roadmap for implementing the various measures at EU level and in the Member States.

- EU-wide applicable minimum standards for the unemployment insurance schemes of the Member States would be an important contribution for more social convergence. Higher levels of protection in individual Member States must not be worsened.
- The promotion of social partnership and collective bargaining systems in Member States, as well as collective agreements and minimum wage levels should include as many workers and companies as possible.
- Ambitious minimum standards, such as a new European strategy for the equality of women and men, which has to be evaluated on an annual basis, as well as a strategy for health and safety at the workplace. Expanding standards for the participation and codetermination of workers in companies, which operate according to European law and in an international context.

#### **Digitalisation and labour 4.0: Launching initiatives for an EU White Paper on the future of labour and the fair distribution of digitalisation profits**

A digital Europe can only be a better Europe for workers if the legal and political framework is determined at an early stage. Unfortunately, in their current form, the EU Commission's measures with regard to the Digital Single Market are one-sided and concentrating on technology, and geared towards the economy. The Federal Government should therefore expressly support the creation of an equal social dimension in the digitalisation debate and launch an initiative for a European White Paper on the future of labour during its Presidency.

#### *The ÖGB demands:*

- The EU must create an agenda for digital change, which includes high quality working conditions, social security and fair wages as integral parts. The necessary measures should be set down in a White Paper on the future of labour.
- A ruinous location competition of the Member States among themselves must be prevented by new EU framework regulations in respect of digitalisation; this also applies to a fair taxation of digitalisation profits. Europe needs an EU-wide Directive to regulate the platform economy to create enforceable rights and social security for crowd workers.
- The EU and the Member States should - in dialogue with the social partners - develop strategies as to how the scope of application of labour law and social law standards can be adapted to the conditions of a digitalised working world, including statutory social security coverage at an appropriate level for all workers, inclusive new forms of employment.
- New digital business models, whose strategy is primarily to bypass and avoid existing regulations and/or taxes, are no innovation and should be banned throughout Europe.

## **Post Brexit: Drawing the right lessons, focussing on workers**

The vote for the exit of the United Kingdom should be seen as a warning signal and a wake-up call to the EU. It stands for the failure of an EU model, which has been fixated on the economic-liberal principles of the Single Market. It is preceded by decades of misguided economic policy, austerity policy, interventions in social systems and wage dumping.

*The ÖGB demands:*

- The Austrian Federal Government must insist that the current Brexit negotiations are not limited to a discussion on the future form of trade relations between the EU and Great Britain. It also has to be about the future of the EU itself. The interests of workers as well as the social and economic targets have to become a political priority.
- Concerning the access to the EU Single Market, the agreement on the future relationship between the EU and Great Britain must not allow any “cherry picking”. This requires binding and effective mechanisms against unfair competitive advantages due to tax, social, environmental and regulatory conditions.
- The United Kingdom must therefore retain its existing EU legislation, particularly in the fields of social affairs, labour law, health, the environment, consumer protection, state aid, etc., and remain a member of the European Convention on Human Rights (ECHR).
- Agreements, such as a Free Trade Agreement modelled on CETA, are to be rejected, as the mentioned rights would not be sufficiently protected. An agreement on the future relationship between the EU and Great Britain has to guarantee effective law enforcement (as it is the case at ECJ and the EFTA Court of Justice).

## **EU reform: Deepening the Economic and Monetary Union (EMU)**

The proposals for the future development of the Economic and Monetary Union, which are discussed in context of the debate on the future of the EU, uphold a neoliberal orientation (deregulation, liberalisation, spending cuts) of economic policy. Instead of continuing the EU’s current economic policy, the Austrian Presidency must insist on fundamental reforms of EU policy, with the fight against unemployment and the target of full employment being relevant legal provisions on the Economic and Monetary Union.



### *The ÖGB demands:*

- The Golden Rule for public investments to cushioning crises: The ÖGB demands the introduction of a golden investment rule, which expands the budgetary scope for public investments by making the fiscal rules more flexible.
- From the ÖGB's point of view, the conversion of the European Stability Mechanism (bailout fund) into a European monetary fund makes little sense, as long as no necessary steps have been taken to regulate and prevent crises in the financial and banking sector.
- No subsidies from the EU budget for anti-employee structural reforms, which aim for labour market liberalisation: the ÖGB rejects the creation of a new budgetary instrument to support and promote structural reforms in the Member States.
- The ÖGB opposes a European unemployment insurance as a so-called "reinsurance fund" for national unemployment insurances, as this would hugely intervene in the structure of the unemployment insurance as well as the Labour market policy, whilst the stabilisation effect would only be minor. Any financing by workers of those countries with comparably lower unemployment must be rejected, as those who are able to cause a crisis, such as the financial sector, would then not have to contribute.

### **The fight against tax fraud and tax evasion**

The fight against tax evasion and tax fraud has to be a joint European priority. The harmful dumping competition with regard to corporate taxes, which ultimately leads to a tax and social downwards spiral, must be ended. The fact that many online companies in Austria do not have permanent business premises, and therefore do not pay any income tax in Austria or minimise them through "aggressive tax planning", leads to massive distortions of competition.

### *The ÖGB demands:*

- The introduction of a Financial Transaction Tax. Tax evasion and tax havens have to be combatted through international coordination. No EU funds can go to companies, which are registered or active in tax havens, or engage in social dumping.
- Letterbox companies: the disclosure of beneficial owners or beneficiaries in an international register.
- Country-by-country reporting, increased international cooperation of Tax administrations as well as black lists and efficient sanctions for countries, which have non-transparent structures and do not comply with OECD standards.

- Integrating the concept of a digital business premise in European tax law to prevent internet corporations from avoiding to pay taxes.
- Establish the EU's fiscal justice capacity by abolishing unanimity in the Council on tax issues.

### **Shaping a fair European and international trade policy**

Foreign trade can increase prosperity and should be supported. However, the current trade policy, which focuses on liberalisation, deregulation and price-related competitiveness has partly resulted in outflows and increased the pressure on employees. Consequences, in particular for women, are rising inequality, precarious work and poorer wage and working conditions.

*The ÖGB demands:*

- Instead of "Liberalisation Agreements", the trade policy requires a fundamental change of course: it needs a framework for trade, which also benefits workers and the environment and does not undermine the constitutional democracies of the participating countries.
- The ÖGB rejects investor protection provisions in EU trade and investment agreements at multilateral level, which enable corporations to sue a state for compensation. Effective remedies for workers against human rights violations by companies are essential.
- Regulatory cooperation carries high risks. Exception from the trade agreements for all regulations of sensible interests in need of protection are e.g. in the areas of health, security, consumers (in particular data protection), labour standards and environment, certain sectors (such as chemicals, pharmaceutical products and the food sector) and subjects (e.g. Genetically Modified Organisms – GMO, hormones, antibiotics or veterinary issues). The precautionary principle has to be firmly established in trade agreements.
- Public services have no place in trade and investment protection agreements. Hence, what is required is a comprehensive und effective exception for public services and public procurement including concessions from trade agreements.