



# CONSULTATION OF THE EUROPEAN COMMISSION ON THE EU 2020 STRATEGY

Contribution of the Austrian Federal Economic Chamber

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As the legal representation of Austrian business, the Austrian Federal Economic Chamber welcomes the consultation of the European Commission on the EU 2020 Strategy.

We refer to the joint contribution of the Austrian Social Partners (“The Lisbon Strategy after 2010”) which has been submitted to the European Commission and can also be downloaded from <http://www.sozialpartner.at/>

We also refer to the contributions of our European umbrella organisations EUROCHAMBRES and UEAPME.

In the light of these contributions we would like to make the following additional remarks on the “EU 2020” consultation paper:

***This is a time of deep transformation for Europe/Recognising constraints and facing new challenges***

WKÖ fully agrees with the analysis of the European Commission and supports the conclusions drawn.

***Key priorities for EU 2020***

The priorities should be set and ranked as follows:

1. ***Creating a competitive, connected and open economy.*** In order create jobs and to secure the European Social Model(s) in a sustainable way, the EU needs growth. This can only be achieved by creating a business friendly environment, taking especially into account the needs of the Small and Medium Sized Enterprises who are the backbone of the European economy, by completing the single market and by reducing administrative burden. Upgrading and inter-connecting infrastructure, and accelerating the market uptake of innovations will equally contribute to this goal and strengthen the EU’s position in the global competition.
2. ***Creating value by basing growth on knowledge.*** Opportunity and social cohesion will be enhanced in a world where innovation makes the difference in both products and processes, harnessing the potential of education, research and of the digital economy.
3. ***Stimulating growth by fostering a greener, eco-efficient and less carbon-dependent economy.*** The EU should compete more effectively and increase its productivity by a lower and more efficient consumption of non-renewable energy and resources in a world of high energy and resources prices, and greater competition for energy and resources. This will stimulate growth and help meet our environmental goals. It will benefit all sectors of the economy, from traditional manufacturing to new hi-tech start ups.
4. ***Empowering people in inclusive societies.*** The acquisition of new skills, fostering creativity and innovation, the development of entrepreneurship and a smooth transition between jobs will be crucial in a world which will offer more jobs in exchange for greater adaptability.

## *Creating value by basing growth on knowledge*

### **Research**

As regards the creation of an efficient, effective and well-resourced European Research Area, a real transfer of knowledge between research institutes and European SMES should be achieved.

### **Innovation**

For innovation (also in the areas of energy efficiency and ecological technologies) and growth also strengthened risk capital market is necessary. The framework conditions for venture financing must be further improved. Banking regulation (reform of Basel II) must not narrow the room for manoeuvre of the banks for loans and credits to enterprises.

### **New technologies**

The EU should take an active and leading role in the development of new technologies, e.g. an “Internet of things” and the use of RFID. It should take up and advance these new technologies and foster their practical application.

## *Empowering people in inclusive societies*

The transition into a smarter, greener economy will create new job opportunities. The ability to adapt to these new challenges will be crucial. This requires appropriate social security systems which provide offers for an active labour market policy and at the same time the willingness of people to make use of these offers.

The focus must lie on strengthening active labour market policies in order to bring as many people as possible into labour instead of promoting passive social policy.

It must be ensured that workers possess the qualifications and skills sought for on the labour market. A better coordination between the education systems and the labour markets is indispensable in order to match future skills to future needs.

At the same time obstacles to labour mobility in the EU have to be removed. We see the suggested combination of short time work and training critically as short time work has been introduced as temporary instrument during the crisis and the modalities for its application are very restrictive. But the basic elements of this instrument, namely part time work combined with training, could contribute significantly to facilitate transitions.

Greatest attention must be paid to external and internal flexicurity. Flexicurity, a combination of flexibility and security, reveals its value especially in economically difficult times. In many cases enterprises can only survive the current crisis and therefore secure jobs if they have enough flexibility for the necessary personnel measures.

Social systems must be assessed in regard to their sustainability in order to serve also future generations. Their task is to insure existential risks (sickness, accidents, unemployment) and to facilitate transitions in the work life (e.g. between jobs or when changing between self-employment and employment). This necessary security must at the same time contain elements to activate people by the consequent application of the

principle of „make work pay“. Employment security has to be favoured over job security.

Internal flexicurity must be created by the respective national labour laws and collective agreements/agreements at company level in order to provide for a transparent, flexible and at the same time secure legal framework for companies and employees. As at present, it must be ensured also in the future that each member state with the participation of the social partners can chose its individual policy-mix in order to put the flexicurity principle into practice. To make full use of the existing employment potential the education health and pension systems as well as active labour market and family policies must focus on bringing young and older workers into employment/keeping them employed. In this context attention must also be paid to raising the employment rate of women, bringing it to the same level as the male employment rate. Measures to improve the reconciliation of family and work can substantially contribute to raising the employment rate of women and in the long run increasing the birth rates.

In order to fully use the potential of older workers the age of factual retirement has to be raised. Considering the rising life expectancy in the long term also the legal retirement age will have to be increased accordingly. The preservation of health and productivity of older workers has to be tackled already early by raising awareness for the value of health, by active prevention and by supporting health promotion at company level.

The challenges until 2020 will remain the same: creating positive incentives to work longer, preventing early retirement, preserving health, promoting investment in knowhow and qualification as well as supporting an age-appropriate working environment/ organisation.

As work is the most effective means to fight poverty, work must pay for all people. Special attention has to be paid to deprived groups, such as low skilled workers, disabled persons, migrants and to people distant from the labour market, e.g. people living on social welfare. This should primarily be achieved by better matching the qualification and skills with the necessities of the labour markets. In this regard the education systems and labour market administrations are particularly challenged.

For migrants learning the language of the receiving country is a first but crucial step for successful integration. At the same time the education systems should also allow for classes in the respective mother tongues as this is an important precondition for learning a second language.

Deprived persons probably need different, more personalized care than usually provided by the labour market administrations. These needs should be better addressed by modern and efficient labour market administrations.

### **Short time work**

The instrument of short time work is closely connected with the crisis and only sense makes for a limited period. The national legislative and administrative preconditions for short time work are often very burdensome, especially for SMEs. However, the basic

principles of short time work, namely part-time work (*not: short time work*) combined with training, could be an element to facilitate transitions.

### **Potential of migration**

In order to fully seize the potential of migration and to increase employment rates of immigrants, an exchange of best-practice examples for an effective integration of immigrants at European level could substantially contribute to mutual learning and to develop national support measures.

### **Poverty and exclusion**

Having a job is definitely the best safeguard against poverty and exclusion. It does secure a reduction in poverty levels or social inclusion. Modern and sustainable social security and pension systems, adapted to the crisis and to the ageing of the European population, will be needed.

## ***Creating a competitive, connected and greener economy***

Greening the economy alone is not a sufficient concept to achieve the necessary growth in the EU. Even if the growth potential in the environmental technology sector, a core segment of a green economy, amounts to 12% p.a. in Austria (turnover, before the crisis), this sector only represents a very small segment of the economy as a whole. At the same time the large non-environmental technology part of the economy is massively affected by pro-environmental technology measures in terms of costs. The intended structural changes must therefore be managed as least burdensome and as transparent as possible as regards the goals as well as the time horizon.

### **Energy security and low carbon electricity production**

This important goal should be achieved by a coherent set of measures:

1. Substantial improvement of energy efficiency in all sectors (this also helps the climate goals)
2. Modernization of energy infrastructure:  
international: Nabucco-Pipeline  
intra EU: interconnectors and ring closure in Austria
3. Completion of the internal market for electricity and gas: foster market integration, fast implementation of the third package
4. Renewables: cost-efficient development of renewables according to the existing national technological and economic potential

Unilateral dependencies from single countries should be reduced and replaced by a system of diversified sources and transportation routes. To this end the EU should make better use of the existing competencies in the Treaties, especially in the internal market and environmental area as well as regarding the transeuropean networks in order to overcome the self-serving interests of single member states and to achieve a European wide concept of energy security.

The EU must also take a stronger stance on the international floor: it has to speak with one voice vis-a-vis important supplier and transit countries. In this context faster and more efficient communication and coordination structures, especially in times of crisis, are necessary.

### **Energy efficiency**

Highest priority has to be given to increasing energy efficiency. Many measures, e.g. the energy consumption of vehicles or products, can only be taken at European level. Stabilising and reducing energy consumption in the midterm is the easiest way to become more independent from energy imports.

### **Climate policy**

Climate policy is a huge global task. An effective international agreement on climate has to include mandatory climate goals for all important emitting countries. The global climate goal cannot be reached by the EU alone.

### **Transport Policy**

When rethinking European transport policy all modes of transport and all aspects (e.g. noise, emissions, potential development etc.) have to be equally considered in a balanced and fair way. The different modes of transport should be strengthened according to their respective potential via quality-initiatives and transformed into an integrated transport network. Furthermore, also the promotion of clean technologies and the expansion of infrastructure are important elements for European transport policy, with view of European competitiveness.

From our point of view also the following important big European projects which will play a key role in the integration of transport networks should be mentioned in the strategy: an intelligent transport system for the road (ITS) and the important water transportation project **NAIADES**.

### **Industrial Policy**

While industrial policy is mentioned several times in the consultation document, the **Small Business Act** is not referred to at all. We believe that such a reference is indispensable to ensure the necessary political commitment. Growth cannot be achieved without the European SMEs who are the backbone of the European economy. A consequent implementation of the Small Business Act on European, national and regional level is inevitably necessary to support of the growth potential of European SMEs, including the sustained application of the “**think small first**”-principle. This should be clearly stated in the EU 2020 Strategy.

### **Public-Private Partnerships**

Public-Private Partnerships should be fostered. As the Commission has recently stated in its communication COM(2009)615, Public Private Partnerships offer huge advantages, e.g. for infrastructure projects, for example a more cost efficient and faster implementation of a project.

### **Financial services**

The creation of a new European financial architecture must be part of the EU 2020-Strategy. After a successful regulation and consolidation of the financial sector in Europe the strategic positioning of the financial sector in Europe should be further strengthened, not at last because financial services would be shifted to other financial centres (US, Asia, other Non-EU-States).

As a consequence of the crisis the introduction of a **financial transaction tax** should be mentioned in the EU 2020-Strategy. The Commission should send a signal that it takes responsibility and draws lessons from the crisis.

### ***Making it happen: Harnessing existing instruments in a new approach***

#### **Better Regulation**

A high-quality regulatory framework (long-term, transparent, as simple as possible) is indispensable for the creation of a competitive, connected and greener economy. The regulatory framework plays a decisive role for companies with regard to their competitiveness and thus growth and jobs. Especially SMEs suffer disproportionately more from administrative burdens since they have less knowledge and resources at their disposal in order to deal with complex regulations.

From the point of view of the Austrian Federal Economic Chamber the EU2020 strategy has to continue and foster the efforts made in the frame of the EU Better Regulation initiative and the Small Business Act. These efforts have to be pursued jointly by the European Institutions and the EU Member States in order to deliver further concrete and tangible results for businesses. In this regard the Austrian Federal Economic Chamber supports the continuation of annual progress reports on the implementation of EU and national reduction measures/targets with regard to administrative burdens.

#### **Setting EU 2020 in a global context**

The **external dimension** should be integrated more prominently in the EU 2020 strategy. The EU has to better seize its opportunities as global player (shaping globalisation, energy security, supply of raw materials, the exchange rate policy of the eurozone should support the competitiveness of its economy).

**Trade Policy** should be mentioned explicitly as priority policy area. Open and transparent markets as well as the absence of protectionist measures and policies are the most important preconditions for the competitiveness of the EU. The EU trade policy enhances the EU's competitiveness by facilitating market access to industrialized countries and emerging markets. But the current trade regulations have to be further developed, especially the protection of intellectual property rights, trade facilitation, preventing the use of antidumping for protectionist aims, investments, competition rules and sustainable development.

#### **Supporting growth through full use of the Stability and Growth Pact/ Reflecting political priorities in our public budgets**

We fully support the position of the European Commission on the Stability and Growth Pact in the consultation document. Also in times of cyclical higher deficits the rules of the SGP have to be applied as they provide enough flexibility. Once the economy recovers consolidating measures have to be taken. All member states have to try to fulfil the Maastricht-criteria again as this is crucial for the future of the European Monetary Union and the Euro.

High public debt result in higher interest rates, which drastically narrows the budgetary room for manoeuvre of the member states. Public money should be rather spent on important investments for the future.

## *Making it happen: Establishing a clear governance to make the new strategy effective*

**Clearly defined objectives** have to be set. The most important tools in achieving these objectives are the annual progress evaluations using structural indicators, a progress report, the national reform programmes for growth and jobs (NRPs) and the Spring Council, and also the open method of coordination (OMC). This basic structure for the Lisbon process has been tried and tested, and should be retained in the guidelines, but there is potential to improve the design and application of the available instruments.

The open method of coordination has, over the past few years, developed into a useful instrument for mutual exchanges of experience that can contribute to greater social convergence. Close interaction between the revised Lisbon Strategy and the OMC is, in the view of the social partners, essential for a balanced relationship between economic, social, environmental and employment policy in the European Union.

The Austrian social partners propose the following governance improvements:

- Meaningful benchmarking - such as a comparison with the best three, etc. - is an appropriate tool for working out the relative positions of the individual Member States and drawing conclusions from that. At European level, it should lead to a more intensive exchange of best practice models.
- In order to step up the "naming and shaming" of Member States who fall short, and to highlight their weak spots, the Lisbon ranking should not just list countries, but also - and especially - subjects. The ranking should be set out according to sectors and published on the Commission's home page.
- Stronger incentives need to be created to encourage Member States to implement the recommendations. One possible sanction that could be envisaged, for example in European employment policy, when a Member State consistently falls short of its targets, is to adapt the funding from the European Social Fund, which the Member State and the Commission determine jointly, in such a way that the funds from the ESF are used primarily to finance the measures that are needed to overcome the shortcomings identified in the Member State's active labour market policy.
- In order to preserve a certain degree of continuity, the new Council president, who under the new Lisbon Treaty would be appointed for two and a half years, could be made responsible for the Lisbon process, both in terms of its content and strategy. The Lisbon steering group should be made up of national coordinators, representatives of the European Parliament and the European Commission, as well as the European social partners, and should monitor the Lisbon agenda and provide guidance. The Council, in its various formations, should continue to be responsible for preparing the Lisbon agenda for the European Spring Summit, as usual.
- In order to achieve broader acceptance of the Lisbon goals and thus create better conditions for their implementation, greater involvement of European and national social partners in the drafting of the "Integrated guidelines for growth and employment" is crucial.

## **Conclusion**

The EU has to develop an active globalisation strategy in order to make Europe a global player. Not only because of the enormous economic and financial challenges the Member States will have to face in the coming years a deeper integration and strengthened cooperation, especially in the area of economic and fiscal policies, will be crucial.

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