

2014 - 2019

Committee on Employment and Social Affairs

2014/2157(INI)

3.12.2014

OPINION

of the Committee on Employment and Social Affairs

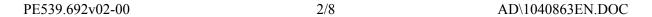
for the Committee on Economic and Monetary Affairs

on the European Central Bank Annual Report for 2013 (2014/2157(INI))

Rapporteur: David Casa

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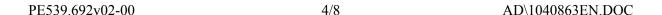
SUGGESTIONS

The Committee on Employment and Social Affairs calls on the Committee on Economic and Monetary Affairs, as the committee responsible, to incorporate the following suggestions into its motion for a resolution:

- 1. Recognises the fact that unemployment levels in the EU peaked in 2013 and that the general economic situation remains very difficult; notes that, according to the Commission's spring 2014 forecast, there was an increase in unemployment from 11.3 % at the end of 2012 to 12.1 % in the third quarter of 2013; notes, furthermore, with great concern the situation in the euro area, in which unemployment increased from a severe 11.3 % by the end of 2012 to about 11.9 % by the end of 2013, with the possibility that it may remain at the high level of 11.8 % in 2014; underlines the fact that the differences between Member States' general and youth unemployment rates represent a major risk for both the EU's economic stability and European social cohesion; stresses the fact that in its communication of 2 June 2014 entitled '2014 European Semester: Country-specific recommendations Building Growth' (COM(2014)0400), the Commission recognised the fact that 'high levels of unemployment and social distress are eroding Europe's human and social capital and call for decisive action over time'; notes the fact that the failure to take action or create a positive environment in which to boost investment and growth can lead to widespread recession;
- 2. Notes the wide differences in unemployment rates between Member States, with figures ranging from 5 % in Germany to 24 % in Spain; notes, also, the fact that the figures for youth unemployment are even higher;
- 3. Finds it regrettable that for young people the employment rate decreased from 37 % in 2008 to just 32 % in the first quarter of 2014, with more than 40 % of young employees holding temporary contracts, while nearly 25 % work part time;
- 4. Notes the fact that despite the fiscal consolidation reforms undertaken by Member States in order to increase investor confidence, such an increase in confidence has not translated into growth or an increase in employment levels;
- 5. Notes the fact that the social situation, especially in countries hit by the crisis, has deteriorated sharply and that, since the onset of the crisis, social inequalities have risen in two thirds of the Member States; forewarns that the whole of Europe is in danger of being thrown into recession by skewed austerity measures and political crises;
- 6. Recalls the fact that the ECB is bound by Article 9 of the Treaty on the Functioning of the European Union (TFEU) which states that 'in defining and implementing its policies and activities, the Union shall take into account requirements linked to the promotion of a high level of employment, the guarantee of adequate social protection, the fight against social exclusion, and a high level of education, training and protection of human health', and that it is important to implement this horizontal clause sufficiently in all policy areas so as to achieve the objectives of Article 3 of the Treaty on European Union (TEU);
- 7. Notes the fact that there was a slightly positive job creation rate in some Member States in

the fourth quarter of 2013 and notes the increase in compensation per employee in almost all non-euro area Member States; is deeply concerned that in some cases there is a marked decline in job quality, an increase in precarious forms of employment and a deterioration in basic labour standards; stresses the fact that increases in compensation per employee through, inter alia, increases in productivity and investment, could be an objective for euro-area Member States; is deeply concerned by the continuing negative evolution of economic activity, with GDP in the euro area having decreased in 2013 for the second year in a row and unemployment rates reaching levels so high that even the stability of certain Member States in the euro area are endangered; finds it profoundly regrettable that the EU is far from achieving the employment and social targets of the Europe 2020 strategy, with, in particular, the poverty reduction target lagging behind, given that the number of people affected by poverty increased by 10 million between 2010 and 2012 rather than decreased;

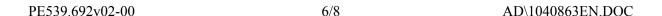
- 8. Acknowledges the fact that the ongoing process of balance sheet adjustment in the financial and non-financial sectors, combined with high unemployment rates, continued to dampen economic activity in the euro area in 2013;
- 9. Believes that poor balance sheets not only affect banks, but also have a negative knock-on effect on businesses and other private-sector actors, given that a lack of capital and finance inhibits a business's ability to remain competitive, grow and ultimately maintain and create jobs;
- 10. Is concerned by the fact that there was a continuous decrease in total employment and also in the number of hours worked in 2013; urges the ECB to focus on policies which can reverse this trend and help Member States reach their Europe 2020 employment targets;
- 11. Questions the ECB's recommendations that growth-friendly fiscal consolidation over the medium term should ensure compliance with the fiscal compact, while at the same time boosting potential growth and generating employment opportunities, given the announcement in the Commission's spring 2014 forecast that GDP in the euro area fell by 0.4 % in 2013 after having already declined by 0.7% in 2012; notes the fact that the focus of current policies remains exclusively on economic growth and recalls the need for an inclusive, rights-based and sustainable approach; stresses the fact that the spreading of growth benefits throughout society could increase sustainability; takes the view that some of the structural reforms promoted by the ECB especially labour reforms, wage devaluation, pension reforms, etc. may result in the same contractionary effects on the economy; calls, therefore, on the ECB, to consider assessing the economic and social impacts of such policies before recommending them;
- 12. Hopes that ECB loans to European banks will benefit the real economy and companies that invest, resulting in stable and high-quality jobs and the facilitation of environmental transition;
- 13. Underlines the fact that monetary policy could be an important tool to boost the EU economy; believes that the ECB should make use of monetary policy in order to give liquidity to the EU's real economy, increase demand and enhance quality investments and sustainable job creation;



- 14. Welcomes the acknowledgement by the ECB that all four programme countries have made significant progress in reducing their economic imbalances by addressing structural rigidities, especially in their labour markets;
- 15. Notes the speech of 22 August 2014 by the President of the ECB at the annual central bank symposium in Jackson Hole; calls on policy makers to draw the right conclusions with regard to monetary, budgetary and structural reform policies with the aim of creating growth and quality jobs; recalls the balanced remarks that 'a coherent strategy to reduce unemployment has to involve both demand and supply side policies, at both the euro area and the national levels. And only if the strategy is truly coherent can it be successful';
- 16. Is concerned about the level of public and private investment in the euro area which has remained significantly lower than in pre-crisis years; stresses the fact that the annual growth rate has continued to decline and that credit to the private sector has moved into negative figures, with an annual growth rate of -2.4 % in December 2013, compared to -0.2 % in December 2012;
- 17. Welcomes the reductions in interest rates introduced by the ECB in May and November 2013, which lowered the rate of the main refinancing operations to 0.25 %; is, however, concerned that these actions have not yet produced the effect intended in terms of increasing employment rates and stimulating job creation;
- 18. Notes the fact that the fiscal consolidation undertaken by Member States has created a fiscal drag and a downturn in public-sector employment which has added to the ongoing contraction in employment in other sectors of the economy;
- 19. Believes that in order to fight the growing levels of unemployment in Europe, a greater focus should be placed on aggregate demand policies; notes the fact that fiscal consolidation policies have not produced the results intended;
- 20. Believes that a greater focus on growth and public investment (such as the EUR 300 billion investment package proposed by Commission President Jean Claude Juncker) would serve to complement the ECB's policy efforts to increase employment and growth in Europe;
- 21. Believes strongly that in light of future demographic changes and changes in the global economy, and in order for the EU to be competitive over the coming generations, focus should be placed on the creation of high-quality jobs while maintaining the integrity of our social model;
- 22. Notes the ECB's reference to the Commission's call for continuous improvement of the institutional setting of the Economic and Monetary Union (EMU), and reiterates in this context the ECB's reference to the Commission's call for ex ante coordination of major economic reform plans together with social impact assessments; calls for such coordination to be supported by a comprehensive ex ante and ex post social and gender impact assessment; stresses the fact that this should only be done in a way that ensures democratic accountability and transparency; believes that consideration could be given to the possibility of developing EMU-wide automatic stabilising mechanisms to address symmetric and asymmetric economic shocks, as a means of maintaining social cohesion,

supporting internal demand and strengthening the sustainability of the single currency; stresses the importance of the expedition and completion of the banking union; notes the fact that approval of the three pillars of the banking union and implementation of new rules for credit institutions and insurance companies can help to restore the resilience of the European financial sector; reiterates its view that the cost of failure of banking institutions should be borne by the banking sector itself;

- 23. Supports the ECB's call for the above-mentioned continued improvement of the institutional framework of the EMU; believes that the main problems currently faced by the euro area are in part derived from the dysfunctional institutional design of the single-currency area, stresses the fact that the above-mentioned ex ante coordination of major economic reform plans should be equitable and balanced;
- 24. Welcomes the ECB's call on Member States to push ahead with labour market reforms, in order to improve competitiveness, raise potential growth, generate employment opportunities, increase inclusivity and optimise the conditions for businesses to create jobs; believes that any such measures should not be to the detriment of job quality and should not lead to increased job insecurity; recalls the fact that restoring the EU's competitiveness through an excessive adjustment of unit labour costs via salary reductions has sharply eroded the purchasing power of many EU workers, lowered household incomes and depressed internal demand, further fuelling unemployment and social exclusion, particularly in those countries hit hardest by the crisis; underlines the fact that wages are not merely a tool for economic adjustment, but are above all the income on which workers need to live; calls on the ECB to ensure that recommendations in the field of wages do not increase in-work poverty or wage inequalities within Member States, or harm low-income groups, but are instead aimed at addressing labour market fragmentation;
- 25. Believes strongly that any increased flexibility brought about by such reforms should be accompanied by a comparable increase in workers' rights;
- 26. Notes the fact that the pattern of reduced working hours appeared to have reversed by the end of 2013, indicating a possible gradual improvement in the labour market; notes also, however, that this improvement is not yet being felt in the labour market; underlines the fact that investment is important, as it works on the supply and demand side of the economy, creating jobs, generating incomes for households, increasing tax revenue, helping governments consolidate, and boosting growth; reiterates the need to adopt investor-friendly policies, cut red-tape and reduce administrative burdens; calls on the Commission to enhance European investment by EUR 300 billion, as announced in the political guidelines by Commission President Jean-Claude Juncker; forewarns of the economic damage to aggregate demand and social harm in terms of impoverishment caused by internal devaluation in several countries in the euro area and highlights the counterproductive effects thereof in the medium term;
- 27. Notes the results of the first wave of the Eurosystem Household Finance and Consumption Survey, and stresses the importance of this survey for the monitoring of the euro area's economic and social structure, especially for the purpose of further analysing the stagnation and crisis within the internal market; believes that a study could be carried out



- in order to identify persons living below the poverty line and those that are victims of social exclusion;
- 28. Is concerned by the continued decline of the inflation rate in the euro area since 2011 and forewarns of the serious risk of deflation;
- 29. Recalls the fact that the ECB's dual-target mandate on monetary policy, as recognised in the Treaties, consists not only of safeguarding price stability (Article 2 of the ECB Statute), but also of pursuing the promotion of sustainable economic and social progress and full employment (Article 3 TEU).

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	2.12.2014
Result of final vote	+: 39 -: 7 0: 5
Members present for the final vote	Guillaume Balas, Brando Benifei, Vilija Blinkevičiūtė, Enrique Calvet Chambon, Ole Christensen, Martina Dlabajová, Lampros Fountoulis, Marian Harkin, Danuta Jazłowiecka, Agnes Jongerius, Rina Ronja Kari, Ádám Kósa, Agnieszka Kozłowska-Rajewicz, Zdzisław Krasnodębski, Kostadinka Kuneva, Jérôme Lavrilleux, Jeroen Lenaers, Verónica Lope Fontagné, Javi López, Thomas Mann, Dominique Martin, Anthea McIntyre, Elisabeth Morin-Chartier, Emilian Pavel, Terry Reintke, Sofia Ribeiro, Maria João Rodrigues, Claude Rolin, Sven Schulze, Siôn Simon, Jutta Steinruck, Romana Tomc, Yana Toom, Ulrike Trebesius, Ulla Tørnæs, Marita Ulvskog, Jana Žitňanská
Substitutes present for the final vote	Daniela Aiuto, Maria Arena, Georges Bach, Deirdre Clune, Karima Delli, Tania González Peñas, Paloma López Bermejo, António Marinho e Pinto, Edouard Martin, Joachim Schuster, Helga Stevens, Neoklis Sylikiotis, Monika Vana
Substitutes under Rule 200(2) present for the final vote	David Coburn

