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REPORT

on the Commission recommendation for the 2002 Broad Guidelines of the
Economic Policies of the Member States and the Community
(COM(2002) 191 – C5-0191/2002 – 2002/2075(COS))

Committee on Economic and Monetary Affairs

Rapporteur: Bruno Trentin

Draftsman (*): Herman Schmid

(*) Hughes procedure

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(*) Hughes procedure

PROCEDURAL PAGE

By letter of 26 April 2002, the Commission forwarded to Parliament the recommendation for the 2002 Broad Guidelines of the Economic Policies of the Member States and the Community (COM(2002) 191 – 2002/2075(COS)).

At the sitting of 13 May 2002 the President of Parliament announced that he had referred the Commission recommendation to the Committee on Economic and Monetary Affairs as the committee responsible and the Committee on Employment and Social Affairs for its opinion under the Hughes procedure (C5-0191/2002).

The Committee on Economic and Monetary Affairs had appointed Bruno Trentin rapporteur at its meeting of 21 November 2001.

The committee considered the Commission recommendation and the draft report at its meetings of 20 March 2002, 27 March 2002, 16 April 2002, 24 April 2002 and 13 May 2002.

At the latter meeting it adopted the motion for a resolution by 31 votes to 1, with 3 abstentions.

The following were present for the vote: Christa Randzio-Plath, chairman; José Manuel García-Margallo y Marfil, Philippe A.R. Herzog and John Purvis, vice-chairmen, Bruno Trentin, rapporteur, Pervenche Berès, Roberto Felice Bigliardo, Hans Blokland, Armonia Bordes, Theodorus J.J. Bouwman (for Miquel Mayol i Raynal pursuant to Rule 153(2)), Benedetto Della Vedova, Bert Doorn (for Alexander Radwan), Harald Ettl (for Giorgos Katiforis), Carles-Alfred Gasòliba i Böhm, Evelyne Gebhardt (for Hans Udo Bullmann pursuant to Rule 153(2)), Robert Goebbels, Lisbeth Grönfeldt Bergman, Pierre Jonckheer (for Alain Lipietz), Othmar Karas, Christoph Werner Konrad, Werner Langen (for Ingo Friedrich), Astrid Lulling, Mario Mantovani (for Generoso Andria pursuant to Rule 153(2)), Ioannis Marinos, Paolo Pastorelli (for Hans-Peter Mayer pursuant to Rule 153(2)), Karla M.H. Peijs (for Piia-Noora Kauppi), Fernando Pérez Royo, Elly Plooi-j-van Gorsel (for Christopher Huhne), Bernard Poignant (for David W. Martin pursuant to Rule 153(2)), Bernhard Rapkay, Karin Riis-Jørgensen, Amalia Sartori (for Renato Brunetta pursuant to Rule 153(2)), Olle Schmidt, Peter William Skinner and Charles Tannock (for Theresa Villiers).

The opinion of the Committee on Employment and Social Affairs is attached.

The report was tabled on 13 May 2002.

The deadline for tabling amendments will be indicated in the draft agenda for the relevant part-session.

MOTION FOR A RESOLUTION

European Parliament resolution on the Commission recommendation for the 2002 Broad Guidelines of the Economic Policies of the Member States and the Community (COM(2002) 191 – C5-0191/2002 – 2002/2075(COS))

The European Parliament,

- having regard to the Commission recommendation for the 2002 Broad Guidelines of the Economic Policies of the Member States and the Community (COM(2002) 191 - C5-0191/2002),
- having regard to the Commission's report on the implementation of the 2001 Broad Economic Policy Guidelines (COM(2002) 93),
- having regard to the Commission communication to the Spring European Council in Barcelona on the Lisbon Strategy – Making change happen (COM(2002) 14), and its resolution of 28 February 2002 thereon¹,
- having regard to the final report of 24 January 2002 submitted by the TEPSA panel of experts to the Committee on Economic and Monetary Affairs on the broad economic guidelines for 2001 and 2002,
- having regard to the conclusions of the Lisbon European Council of 23 and 24 March 2000,
- having regard to the conclusions of the Barcelona European Council of 15 and 16 March 2002,
- having regard to its resolution of 28 February 2002 on the Spring Summit 2002: the Lisbon process and the path to be followed²,
- having regard to its resolution of 14 March 2002 on the state of the European economy - preparatory report with a view to the Commission recommendation on the broad economic policy guidelines³,
- having regard to Article 99(2) of the EC Treaty,
- having regard to Rule 41 of its Rules of Procedure,

¹ Adopted Texts. 28.02.2002, Item P5 TAPROV(2002)0081 Sustainable development strategy for the Barcelona Summit (B5-0118/2002), pages 34-39.

² Adopted Texts, 28.02.2002, Item P5 TAPROV(2002)0079 From Stockholm to Barcelona - employment and social protection, pages 21-29.

³ Adopted Texts, 14.03.2002, Item P5 TAPROV(2002)0124 Broad economic policy guidelines, pages 142-147

- having regard to the report of the Committee on Economic and Monetary Affairs and the opinion of the Committee on Employment and Social Affairs (A5-0161/2002),
- A. whereas the sharp and partially expected downturn in economic growth of the European Union that marked 2001 has shown that the EU economy needs stronger co-ordination and an improved policy mix;
- B. whereas the binding nature of the Stability and Growth Pact, in particular, the 3% threshold for national budget deficits and maintaining price stability, plays an important role both in stabilising economic output and in creating European economic confidence, but further co-ordinated efforts on the second part of the Pact are needed in providing the necessary basis for an investment-friendly environment and high-quality jobs;
- C. whereas the European Council in Lisbon on 24 March 2000 set the most important strategic goal for the EU of acquiring the most competitive and dynamic knowledge-based economy capable of sustainable economic growth with more and better jobs and greater social cohesion, but major delays are to be noted in several countries of the Union;
- D. whereas the 2002 recommendations on the Broad Guidelines of the Economic Policies of the Member States and the Community have to take fully into consideration the European Council conclusions of Barcelona and its responsibility for comprehensive guidance on sustainable growth, employment and social cohesion in Europe;
1. Welcomes in general the Commission recommendation for the 2002 Broad Guidelines of the Economic Policies of the Member States and the Community, but considers that the coordinated strategy framework for the economic and social policies of the eurozone countries has to be strengthened so that the EU is capable of resisting effectively the trend towards recession, above all, in the area of an active and coherent investment policy, and, in particular, within the fields of research and innovation, lifelong learning and communication networks;
 2. Calls in particular on the Member States, in order to fulfil the requirement of the Lisbon strategy, including the Stockholm process on sustainable development, to integrate the 'environmental mainstreaming approach' within their economic, employment and social policies and to speed up the modernisation of the European social model as a productive factor for growth and skilled employment;
 3. Regrets once again that Parliament is not yet fully involved in the development and implementation of the European Union's broad economic policy guidelines; calls therefore for Parliament to be appropriately involved this year in preparing the streamlining of economic and employment procedures, including the improvement of cooperation between EU institutions; stresses again the need for decision-making processes in the European Union to be more transparent and for national parliaments to be more systematically involved in the preparation of the national implementation of the Broad Economic Policy Guidelines before the various governments take decisions that are impossible to alter;
 4. Asks the Commission and the Council to amend the present recommendation in line with the following amendments; furthermore, calls for the 'main priorities and policy requirements' 2002 to be expanded to include action to improve the macro-economic

policy mix and to prepare the streamlining of economic and employment procedures, including the improvement of cooperation between the EU institutions concerned;

5. Calls on the Council to take account of the following modifications:

Commission text	Modifications by Parliament
(Amendment 1) Recommendation 3.1 (ii) (euro-area Member States)	
(ii) ensure that tax reforms are financed appropriately in order to safeguard the commitment to sound public finances; avoid pro-cyclical fiscal policies thus contributing to an appropriate macroeconomic policy mix at the national and euro-area level; allow automatic stabilisers to operate in full as the recovery gets underway; ensure a rigorous execution of their budgets so as to prevent slippage from the stability programme targets; and	(ii) ensure that tax reforms are financed appropriately in order to safeguard the commitment to sound public finances; avoid pro-cyclical fiscal policies thus contributing to an appropriate macroeconomic and social policy mix at the national and European level with closer coordination in the latter case by the Eurogroup ; allow automatic stabilisers to operate in full as the recovery gets underway; ensure a rigorous execution of their budgets so as to prevent slippage from the stability programme targets; and

Justification

An economic and social strategy to improve the basis for growth and full employment in Europe must be combined with macro-economic policies, economic reform and structural policies, active employment policies and the modernisation of social protection. Institutional processes for the development of these policies, namely the Cologne process on macro-economic policies, the Cardiff process on structural policies and reforms and the Luxembourg process on employment policies, are available. However, these processes need a strong strategy on policy mix and macro-economic coordination. The Eurogroup provides a forum for coordination.

Amendment 2
Recommendation 3.1, iii. (euro-area Member States)

(iii) further strengthen public finances with a view to secure their long-term sustainability by making use of the	(iii) further strengthen public finances with a view to secure their long-term sustainability by making use of the limited window of opportunity prior to the demographic changes taking hold.
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limited window of opportunity prior to the demographic changes taking hold.

Member States shall strengthen public and private investment in ecological conversion of infrastructures, in education, training and lifelong learning and social infrastructure in order to stabilise employment and enhance job creation.

Justification

Self-explanatory

(Amendment 3)

Recommendation 3.1 (iv) (new) (euro-area Member States)

(3.1) (iv) coordination at the level of the euro area of supplies of raw materials, particularly oil, with long-term contracts and stable prices, should make an important contribution without prejudice to this objective; this policy underpins general economic policies in the Community.

Justification

The risks to the Union's economy from fluctuating oil prices underline still further the urgency of securing diversified supplies and long-term agreements denominated in Euro.

Amendment 4

Recommendation 3.1, iii. (non-euro-area Member States)

(iii) further strengthen public finances with a view to secure their long-term sustainability by making use of the limited window of opportunity prior to the demographic changes taking hold.

(iii) further strengthen public finances with a view to secure their long-term sustainability by making use of the limited window of opportunity prior to the demographic changes taking hold.
Member States shall strengthen

public and private investment in ecological conversion of infrastructures, in education, training and lifelong learning and social infrastructure in order to stabilise employment and enhance job creation.

Justification

Self-explanatory.

Amendment 5
Recommendation 3.1, i.(wage developments)

(i) the increase in nominal wages be consistent with price stability;

(i) the increase in nominal wages be consistent with *productivity developments so that price stability is not threatened*;

Justification

The reference to productivity developments specifies the need for Social partners to adopt a responsible course when negotiating wages.

(Amendment 6)
Recommendation 3.1 (iii) (wage developments)

(iii) national labour institutions and collective bargaining systems, respecting the autonomy of social partners, take into account the relationship between wage developments and labour market conditions, thereby allowing an evolution of wages according to productivity *developments and skills differentials*, in order to guarantee the EU's competitiveness and to improve employment across skills and geographical areas.

(iii) national labour institutions and collective bargaining systems, respecting the autonomy of social partners, take into account the relationship between wage developments and labour market conditions, thereby allowing an evolution of wages according to productivity *and capable of taking into account the investment in enhancement of the human factor*, in order to guarantee the EU's competitiveness and to improve employment across skills and geographical areas. *The Social Partners*

Summit which is intended to be convened every year preceding the Spring European Councils can play a positive role in this. The Commission, the Council, and the social partners should contribute to improve the macro-economic dialogue by a combination of productivity oriented wage policies and a financial policy designed to strengthen economic recovery, so that both elements support the push for full employment.

Justification

Collective bargaining should encompass ever-increasing investment in the training, qualification and employability of the workforce.

(Amendment 7)
Recommendation 3.2 (ii)

(ii) promote the quality of public expenditure by redirecting towards physical and human capital accumulation and research and development so as to ***ensure substantial annual increase of per capita investment;***

(ii) promote the quality of public expenditure by redirecting towards physical and human capital accumulation and research and development so as to ***increase the potential growth rate of the EU economy; a sound balance should struck between reducing public debt, lowering taxation and continuing the funding of public investment in key sectors so as to ensure that ‘governance’ of the processes of restructuring and their social repercussions is accompanied by investment in infrastructure and services capable of generating new jobs and to promote better-quality public spending by channelling it, above all, into investment in human capital through research and innovation, training and lifelong learning and the encouragement of innovations in the organisation of work capable of enhancing the quality of work so as to achieve a substantial increase in the rate of investment in human resources;***

Justification

Sound public finances and contained levels of public debt are a platform for fiscal stability and growth. But stability alone does not by itself create sustainable growth. Moreover, the achievement of stability and growth needs new opportunities within public and private investment expenditure in a wider sense (e.g. infrastructure, research, data highways, education and training). Particular attention should be paid to possible synergies among national and Community-wide public and private investment efforts and to stimulating a European investment policy.

(Amendment 8) Recommendation 3.2 (vi)

(vi) pursue tax co-ordination further so as to avoid harmful tax competition and implement effectively ***the Council agreement of November 2000 on the tax package*** with a view to meeting the December 2002 deadline for agreement.

(vi) pursue tax co-co-ordination further so as to avoid harmful tax competition and implement effectively ***concrete measures on the basis of the Primarolo report and of the OECD plan on tax evasion*** with a view to meeting the December 2002 deadline for agreement.

Justification

For three decades the EU has agonised over tax coordination projects. Now it is time to agree on a number of concrete measures in the field of tax coordination in line with the Primarolo report to prevent the further erosion of the tax base and permit fair tax competition, whilst eliminating unfair tax competition which leads to a distortion in competition in the European economy. In a globalised world where companies operate transnationally and with increasing amounts of e-commerce, it will become ever harder to pin down taxation. A coordinated economic policy must be organised together with a coordinated taxation policy.

Amendment 9 Recommendation 3.3, ii. (labour markets)

(ii) strengthen active labour market policies, by improving their efficiency both regarding the use of resources and their effectiveness

(ii) strengthen active labour market policies, by improving their efficiency both regarding the use of resources and their effectiveness

in terms of increasing regular employment. This implies, inter alia, better targeting them to those individuals most prone to the risk of long-term unemployment, on those measures that have proven most successful and to meet the demands of the labour market;

in terms of increasing regular employment. This implies, inter alia, better targeting them to those individuals most prone to the risk of long-term unemployment, on those measures that have proven most successful and to meet the demands of the labour market; ***in this context, an active policy to set measures providing incentives for the re-incorporation to the labour market of those who are currently receiving unemployment benefits is also needed, the simple reduction of those unemployment benefits does not constitute an active policy in itself.***

Justification

An active policy to tackle unemployment is necessary alongside with a look at unemployment benefits

Amendment 10 Recommendation 3.3, iii. (labour markets)

(iii) bring down obstacles to mobility within and between Member States. Along the lines of the Action Plan Skills and Mobility, foster the recognition of qualifications, facilitate the transferability of social security and pension rights, improve information and transparency on job opportunities and ensure that tax and benefit systems, as well as housing markets, do not inhibit mobility;

(iii) bring down obstacles to mobility within and between Member States. Along the lines of the Action Plan Skills and Mobility, foster the recognition of qualifications, facilitate the transferability of social security and pension rights, improve information and transparency on job opportunities and ensure that tax and benefit systems, as well as housing markets, do not inhibit mobility. ***Enable selective labour mobility to contribute to overcoming current bottlenecks in European labour markets, balance mobility by regional policies to prevent the situation worsening for economically weaker regions and organised migration between regions and resulting social conflicts in Europe, respect the right of each jobseeker to freely choose the place of employment, take initiatives seeking in various ways to remove barriers to mobility in border regions;***

Justification

Self-explanatory.

(Amendment 11) Recommendation 3.3 (iv)

(iv) facilitate occupational mobility by improving lifelong learning, in dialogue with the social partners, thereby also contributing to better job quality and higher productivity;

(iv) facilitate occupational mobility by improving lifelong learning ***and resources allocated for promoting lifelong learning so that job flexibility, quality of training and mobility become an integral part of a policy of employability, involving continuous education, vocational adjustment and re-training for young people, women and older workers, as well as immigrant workers and the unemployed***, in dialogue with the social partners, thereby also contributing to better job quality, higher productivity ***and social integration***;

Justification

The objective to become “the most competitive and dynamic knowledge-based economy in the world” requires the development and continuous improvement of lifelong learning for all. Lifelong learning is the primary condition for ensuring the free movement of workers. External flexibility of work without a lifelong training policy may lead to the creation of new forms of instability and marginalisation for many workers. A large spectrum of educational facilities is required. This includes making use of relevant high technology tools, such as the Internet, e-Learning programmes as well as information networks to the largest possible extent. The concept of lifelong learning is crucial in this effort, but even more important is the creation of an information network for all. We have to support and ensure easy and efficient public access to information in order to make every source of information available to the citizens to eliminate the danger of creating a new form of poverty, that of “information poverty”. Furthermore, the requirements for knowledge and skills in companies are sometimes not adequately met by the supply side of further education organisations. Improved cooperation between the two sides is therefore desirable. Furthermore, the costs of a lifelong education policy and the implementation of fiscal and financial incentives to commit companies to carrying it out is one of the most fundamental priorities of public expenditure.

(Amendment 12)

Recommendation 3.3 (v)

(v) promote, in dialogue with the social partners, more flexible work organisation and review employment contract regulations and related costs, with the aim of promoting more jobs and striking a proper balance between flexibility and security. Ensure that any reductions in overall working time do not lead to increases in unit labour costs, and that the future labour supply needs are taken fully into account; and

(v) promote, in dialogue with the social partners, more flexible work organisation and review employment contract regulations and related costs, with the aim of promoting more jobs and striking a proper balance between flexibility and security **by safeguarding the employability of workers through training and reskilling**. Ensure that any reductions in overall working time do not lead to increases in unit labour costs, and that the future labour supply needs are taken fully into account; and

Justification

The conditions for striking a new balance between flexibility and security need to be spelled out: employability and continuous training.

Amendment 13

Recommendation 3.3, vi. (labour markets)

(vi) remove existing barriers to female labour market activity. Increase the provision of care facilities for children and other dependants, inter alia in order to reach the childcare targets agreed at the Barcelona European Council (i.e. to provide childcare by 2010 to at least 90% of children between 3 years old and the mandatory school age and at least 33% of children under 3 years of age). Address the underlying factors that lead to a gender pay gap.

(vi) remove existing barriers to female labour market activity. Increase the provision of care facilities for children and other dependants, inter alia in order to reach the childcare targets agreed at the Barcelona European Council (i.e. to provide childcare by 2010 to at least 90% of children between 3 years old and the mandatory school age and at least 33% of children under 3 years of age). Address the underlying factors that lead to a gender pay gap. **Encourage family oriented policies in order to combine work and having a family.**

Justification

Member States should be aware that the removal of existing barriers to female labour market activity has many factors, one of which is also policies aimed the whole family, in order to facilitate the combination of work and family.

(Amendment 14)

Recommendation 3.3 (vii) (new)

(3.3) (vii) promote preventive consultation of employees in restructuring processes, as envisaged in the Green Paper on corporate social responsibility, in order to reduce the risks of structural unemployment and boost the opportunities for acquiring vocational skills and for re-employment.

Justification

The recommendations of the Green Paper on corporate social responsibility should be put to the test of benchmarking.

Amendment 15

Recommendation 3.3, vi. b (new) (labour markets)

(3.3) (vi) (b) invigorate the initiative for a local employment strategy, focussing on mobilisation of resources and actors for development, job creation and innovation. Strengthen local and regional employment strategies in order to play a decisive role in creating and in stabilising employment in the current economic stagnation, strengthen similar instruments for the mobilisation of under-utilised human and material resources and for endogenous economic growth;

Justification

Self-explanatory.

(Amendment 16)
Recommendation 3.4 (iii)

(iii) accelerate reforms ***in the network industries***, while complying with universal service obligations:

(iii) accelerate ***structural*** reforms while complying with universal service obligations:

- ***structural reforms should take full account of the importance of quality of, and universal access to, public services with respect to the territorial and social cohesion of the European Union;***

Justification

In line with the Presidency Conclusions of the Barcelona Summit in March 2002, structural reforms and the process of balanced liberalisation in Europe have to take into consideration the importance and role of services of general interest within a European policy of economic and social cohesion.

Amendment 17
Recommendation 3.4, i. a (new) (product markets)

(3.4) (i)(a) improve the interconnection of network industries between Member States.

Justification

Self-explanatory.

Amendment 18
Recommendation 3.4, iii. a. (new) (product markets)

(3.4) (iii) (a) ensure a proper functioning of high quality services of general economic interest for social cohesion and sustainable development:

– produce a systematic comparative assessment of the liberalisation of public services in the Member States in terms of the effects on quantity and quality of employment, the environment, territorial cohesion and the quality of and access to services,

Justification

Self-explanatory.

Amendment 19
Recommendation 3.5, i. (financial services)

(i) step up efforts by all relevant parties - the Council, the European Parliament, the Commission, and the Member States - to ensure full implementation of the FSAP by 2005, and by 2003 for securities markets legislation; therefore, as highlighted by the European Council in Barcelona, the Council and the European Parliament need in particular to adopt as early as possible in 2002 the proposed Directives on Collateral, Market Abuse, Insurance Intermediaries, Distance Marketing of Financial Services, Financial conglomerates, Prospectuses and Pension Funds, and the International Accounting Standards Regulation; The Member States should ensure, as soon as possible, the implementation of legislation already adopted by the Council (e.g. the

(i) step up efforts by all relevant parties - the Council, the European Parliament, the Commission, and the Member States - to ensure full implementation of the FSAP by 2005, and by 2003 for securities markets legislation; therefore, as highlighted by the European Council in Barcelona, the Council and the European Parliament need in particular to adopt as early as possible in 2002 the proposed Directives on Collateral, Market Abuse, Insurance Intermediaries, Distance Marketing of Financial Services, Financial conglomerates, Prospectuses and Pension Funds, and the International Accounting Standards Regulation; The Member States should ensure, as soon as possible, the implementation ***and enforceability*** of legislation already adopted

Regulation preventing excessive charges on cross-border payments in the retail sector);

by the Council (e.g. the Regulation preventing excessive charges on cross-border payments in the retail sector) *as well as the setting of oriented policies specially addressed to the information and protection of financial consumers rights, which are sometimes made vulnerable by the fact that the consumers are not adequately informed on the last developments and new regulations that are offered for them by the single financial market;*

Justification

Consumers rights and information is an important aspect, if the consumers are to gain from an end to fragmented markets in the financial services.

Amendment 20

Recommendation 3.6, i. (encourage entrepreneurship)

(i) create a business-friendly environment:
– improve and simplify the corporate tax system and the regulatory environment. Reduce administrative and legal barriers to entrepreneurship to the barest minimum, in particular through a reduction of the typical time and cost required for setting up a new company;

(i) create a business-friendly environment:
– improve and simplify the corporate tax system and the regulatory environment. Reduce administrative and legal barriers to entrepreneurship to the barest minimum, in particular through a reduction of the typical time and cost required for setting up a new company. *Facilitate the development of young entrepreneurs focusing on the creation of new companies that are not only facing a domestic market but also are keen on the advantages provided by the EU single market;*

Justification

Especially young entrepreneurs hold the hope for a more "European" business outlook

(Amendment 21)
Recommendation 3.7 (Title)

Foster the knowledge-based economy

Foster the knowledge-based economy,
including public and private investment

Justification

Sound public finances and contained levels of public debt are a platform for fiscal stability and growth. But stability alone does not by itself create sustainable growth. Moreover, the achievement of stability and growth needs new opportunities within public and private investment expenditure in a wider sense (e.g. infrastructure, research, data highways, education and training). Particular attention should be paid to possible synergies among national and Community-wide public and private investment efforts and to stimulating a European investment policy.

Amendment 22
Recommendation 3.7, i., indent 2 (knowledge-based economy)

– improve ties between universities and business leading to knowledge transfer and a better commercialisation of R&D results.

- improve ties between universities and business leading to knowledge transfer and a better commercialisation of R&D results.
Early adoption of innovations and technological development that, no matter whether or not they have been invented and produced under European platforms of R&D, must be encouraged for fostering the productivity of the European Economy.

Justification

Self-explanatory.

Amendment 23
Recommendation 3.7, i., indent 3 (knowledge-based economy)

- enhance collaboration on research and innovation across Europe.

- enhance collaboration on research and innovation across Europe. ***Inter alia by the improvement of the efficiency of the financial systems (included the RCAP) dedicated to R&D.***

Justification

It is well-recognized that the lack of investment is one of the paramount difference between the US and Europe.

Amendment 24

Recommendation 3.7, iii. a (new)
(knowledge-based economy)

(3.7) (iii) (a) Measures of all kinds have to be adopted, including training measures for the applicant countries, in order to avoid splits in society and the collapse of the European social model in an enlarged Europe.

Justification

Self-explanatory.

(Amendment 25)

Recommendation 3.7 (iv) (new)

(3.7) (iv) coordinate public and private investment policies in order to boost the effectiveness and synergies of each investment decision:

- European coordination as suggested by the Lisbon Summit, particularly in areas such as:

- *coordination of national investment in research and innovation with European projects;*
- *coordination of investment in training and lifelong learning on the basis of common objectives,*
- *adoption of converging measures to encourage a policy of active ageing based on the voluntary choice of employees,*
- *financing of a system of integrated infrastructure at European level in the transport, employment services and telecommunications sectors with the support of the EIB.*

Justification

The open coordination method adopted at the Lisbon Summit cannot rely solely on spontaneity. A Commission initiative in certain areas and aimed at certain Member States possessing the best potential for cooperation and the exchange of experience seems not only timely but urgent in the context of a more general initiative aimed at overcoming the European economy's growth difficulties and the structural limits to its competitiveness.

(Amendment 26)

Recommendation 3.8a (i) (new)

(3.8a) (i) In order to fulfil the requirement of the Stockholm process to integrate a sustainable development strategy in the Lisbon process, Member States should further develop the "environmental mainstreaming approach" within their economic, employment and social policies and they should recognise environmental objectives as a dynamic impact on a systematic process for growth, employment and social well-being.

Justification

One of the big challenges facing the EU is surely how we maintain and develop our welfare provision using fewer natural resources – facing up to the challenge of achieving

economic growth without pollution and depletion of natural resources. The EU's sustainable development strategy should therefore not simply be yet another fine set of words but should define and tackle the key issues in every policy field. The EU should take the lead on the global stage in reforming economic activity and enabling sustainable development in line with the Presidency Conclusions of the Stockholm and Göteborg Summits 2001.

Amendment 27

Recommendation 3.8, ii. a (new)
(environmental sustainability)

(3.8) (ii) (a) Member States should continue, within the strategy for sustainable development and the achievement of the Kyoto goals, to the improvement of efficiency and the rational use of natural resources and energy. Programs, targeting citizenship, aiming at more and better information on the costs of those resources should be created, targeting and underlining the fact that natural resources are scarce, while some of them are non reproducible and very pollutable.

Justification

With the formal ratification of the Kyoto protocol, the focus should now be on the implementation, enforcement and raising the awareness in the European population.

Amendment 28

Recommendation 3.8, vii. a. (new)
(environmental sustainability)

(3.8) (vii) (a) With public procurement amounting to 14% of total EU GDP, procurement policies and legislation can make a strong contribution to the sustainable development policies of the EU and its member states. In order to achieve more sound ecological, social and equitable

production and trading practices, member states should encourage local, regional and national level administrations to take into account social, ecological criteria.

Justification

The Barcelona conclusions call for economic, social and environmental considerations to have a say in all aspects of economic policy design. One way to achieve this by public administrations and to give an example to be followed is to introduce environmental and social criteria in public procurements.

6. Instructs its President to forward this resolution to the Council and Commission and to the governments and parliaments of the Member States.

EXPLANATORY STATEMENT

Europe has experienced a downturn in its rate of growth during 2001, clearly as a result of the economic recession in the United States and, more generally, the growing interdependence among economies caused by the increasing pace of globalisation. The lack of growth in world trade during 2001 is a clear indication of this interdependency, which is greater than the volume of trade between Europe and the United States might suggest. It meant that the recession of 2001 and 2002 was entirely predictable.

The forecasts for the timescale of a recovery in the American economy have been revised many times and at present hopes are pinned on the second half of 2002. Similar uncertainty has surrounded the periodically revised forecasts regarding the downturn in growth in the European Union, although in Europe there has not yet been the same mobilisation of resources as in the United States to promote a recovery in investments and to boost consumption, including the use of direct state aid.

Accordingly, forecasts of a resumption of growth in Europe during the second half of 2002 should still be treated with caution. It does not seem possible for the American economy to act once again as a motor for growth for the rest of the industrialised world. At the same time, the signs of recovery are spread unevenly between the different sectors of the economy in the United States as in Europe. In certain sectors there still seem to be marketing difficulties and problems of a structural nature, e.g. steel, cars, telecommunications and, since 11 September, aviation and insurance. In addition, there are many signs (restructuring, mergers, specialisations) to suggest that, in the United States as in Europe, we are not only witnessing a temporary halt in a long period of growth, but are experiencing a recession during which industrial strategies will be adjusted and reorganised, with extensive social implications and the probable launch of a new cycle of investment, following the bursting of the financial bubble, linked to new technology and new forms of corporate organisation. Given the muted response of European economies and the absence of a proactive policy in the field of public and private investment, a new gap could be opening up between Europe and the United States in terms of competitiveness.

A strategy of waiting for American recovery and its automatic impact on EU economies, where European economic policies are seen merely as a continuation of those followed in 2001, albeit adjusted to meet budgetary constraints, would therefore seem to be a risky course of action. Indeed, now that conditions have been utterly transformed, they might even play a 'procyclical' role.

It is therefore necessary to map out a coordinated strategy for the economy and social policies of the countries of the Euro zone and the European Union which can effectively counteract the trend towards recession, particularly in the investment sector, where the current stagnation is still nowhere near the levels reached in the 1980s. The aim is not to call into question the terms of the Stability and Growth Pact, particularly at a time of such uncertainty. Indeed, a policy of this kind could prove an incentive for individual EU governments to adopt divergent approaches. The 3% limit on budget deficits should not be exceeded and should remain a cornerstone of policy to ensure financial recovery and combat inflation in the monetary union; however, the timescale for achieving a budget in balance or in surplus may be extended because of the duration of the

recession. Yet it remains true that the Stability and Growth Pact does not for all that on its own guarantee an investment policy capable of bringing Europe closer to full employment based on knowledge and work quality.

Constant vigilance is therefore required as regards inflation rates, which could be more easily reduced by joint action by the governments of the Euro zone to reach long-term agreements with producers of raw materials, especially oil, together with a highly selective approach when taking decisions on the distribution of public spending.

At the same time, action in the field of taxation and in reducing social contributions from individual incomes should focus on reducing the cost of labour, particularly for lower paid workers, whilst efforts to stimulate the economy should focus on public and private investment and on swifter attainment of the objectives and structural reforms which form part of the Lisbon strategy but on which progress is lagging in several Union countries. Also, the process of integrating financial services should be speeded up.

The aim is therefore to increase public and private investment in the following sectors:

1. research and innovation;
2. policies to develop and promote lifelong learning to ensure that mobility and flexibility are an integral part of a strategy of employability, based on education, adjustment and vocational retraining;
3. creation of infrastructures capable of meeting the new requirements of integrated systems of enterprises, such as the establishment of a European telecommunications network or the dissemination of services to provide information, vocational guidance, refresher courses and retraining for the long-term unemployed.

In this connection, the process of competitive liberalisation of general interest services should be pursued in the energy, gas and transport sectors, while safeguarding their universal character, with or without privatisation.

Bearing in mind the budgetary constraints in particular, decisions of this kind must be coordinated if they are to be effective, first and foremost in the Euro zone. Economic government of the monetary union would permit a transparent dialogue with the Central Bank whose independence should be reinforced and safeguarded. However, this independence cannot signify passive acceptance of a monopoly - albeit an indirect one - over economic policy decision-making at European level. This dialogue must allow scope for assessing whether margins are available for a further reduction in interest rates.

Decisions and initiatives relating to coordination methods should not be left solely to individual states. The Commission should play a vital role in proposing and promoting open forms of collaboration, such as those provided for by the Lisbon Summit, in the field of research, innovation and lifelong learning, the establishment of an integrated services network, for example, for employment services and in the field of telecommunications, the harmonisation of strategies on active ageing, a vital prerequisite for a reform of pension systems capable of safeguarding the universal nature of the basic system and avoiding a reduction in earnings for employees and self-employed workers.

The Commission should also issue a directive on the implementation of a system of training and lifelong learning based on the framework agreement defined by the social partners at European level and follow up the Green Paper on corporate social responsibility by encouraging agreements at regional and European level to promote social management of restructuring processes and information and preventive consultation arrangements for representatives of employees in public institutions that take into account the forecasts of the European observatory on industrial change in Dublin.

Finally, detailed consideration should be given to the suggestions from TEPSA designed to encourage transparency and broader participation in the decision-making process for economic and social policy (policy mix) at European level, both through more systematic involvement of national parliaments and closer coordination between the Committee on Economic and Monetary Affairs and the Committee on Employment and Social Affairs, as well as through more timely information on the budget policies of national governments, to ensure that their consistency with the broad economic policy guidelines proposed by the Commission can be assessed before individual governments take decisions which cannot subsequently be altered.

OPINION OF THE COMMITTEE ON EMPLOYMENT AND SOCIAL AFFAIRS

for the Committee on Economic and Monetary Affairs

on the Commission recommendation for the 2002 Broad Guidelines of the Economic Policies of the Member States and the Community
(COM(2002) 191 – C5- 0191/2002 – 2002/2075(COS))

Draftsman (*): Herman Schmid

(*) Hughes Procedure

PROCEDURE

The Committee on Employment and Social Affairs appointed Herman Schmid draftsman at its meeting of 24 January 2002.

It considered the draft opinion at its meetings of 19 March 2002 and 16/17 April 2002.

At the latter meeting it adopted the following conclusions by unanimously.

The following were present for the vote: Marie-Hélène Gillig, acting chairperson; Winfried Menrad and Marie-Thérèse Hermange, vice-chairpersons; Herman Schmid, draftsman; Sylviane H. Ainardi, Jan Andersson, Elspeth Attwooll, Hans Udo Bullmann (for Enrico Boselli), Philip Bushill-Matthews, Alejandro Cercas, Luigi Cocilovo, Harald Ettl, Jillian Evans, Carlo Fatuzzo, Ilda Figueiredo, Hélène Flautre, Fiorella Ghilardotti (for Elisa Maria Damião), Anne-Karin Glase, Lisbeth Grönfeldt Bergman (for Regina Bastos), Richard Howitt (for Proinsias De Rossa), Stephen Hughes, Dieter-Lebrecht Koch (for Enrico Ferri), Ioannis Koukiadis (for Karin Jöns), Rodi Kratsa-Tsagaropoulou, Elizabeth Lynne, Thomas Mann, Mario Mantovani, Helmuth Markov (for Arlette Laguiller, pursuant to Rule 153(2)), Claude Moraes, Gérard Onesta (for Jean Lambert, pursuant to Rule 153(2)), Manuel Pérez Álvarez, Bartho Pronk, Lennart Sacrédeus, Helle Thorning-Schmidt, Ieke van den Burg and Barbara Weiler.

SHORT JUSTIFICATION

Your draftsman finds himself in the uncomfortable position of having to draft this Opinion on the Broad Economic Policy Guidelines 2002 (BEPG) before the Commission has published its respective proposal. Nevertheless, some observations concerning the changed conditions for economic and employment policies in the European Union seem to be obvious.

Firstly, revitalised economic growth in Europe during the period 1998 to mid 2000 or 2001 has come to a halt. Today, the USA, the European Union and Japan simultaneously face an economic stagnation or even recession. Forecasts by Economic Research Institutes suggest a growth rate for the European Monetary Union of 1.1% for 2002 (compared to 3.4% in 2000 and 1.6% in 2001). There is some chance of for an economic recovery starting in Autumn 2002, but again some forecasts consider a possible recovery to be much weaker than in the period 1998 to mid 2001. Thus, the achievement of the Lisbon goal of full employment by 2010, which would depend mainly on an average annual growth rate of 3% in the European Union, is put into question. Unemployment is rising again in quite a number of Member States.

Secondly, the high rising expectations of establishing a “New Economy” in the US and the European Union alike did not materialise. The promise of the “New Economy Paradigm” was that constant technological innovation centred around so-called “frontier technologies” like IT, bio- and nanotechnologies, the rise of e-commerce and the internet-economy, liberalised finance and the “wealth effect” from booming stock markets, as well as the deregulation of commodity, labour and service markets would together lead to a steady growth path in both the US and European economies and could overcome the traditional pattern of ups and downs in the economic cycle. The multifaceted EU initiatives on e-Europe and financial market integration - as ambitious and promising, or not, as they may have seemed before mid 2001 - are not likely to provide the job growth needed to overcome high European unemployment rates, at least not within the decisively important short-to-medium term.

Thirdly, the Bank for International Settlements (BIS) has, since 1997, continuously warned of overcapacities emerging in different regions of the global economy. The global economic slump since mid 2001 seems to have its roots in the “real economy” rather than solely in effects from globalized finance. With the USA, Europe and Japan now simultaneously in recession or economic stagnation, a return to an export-led growth path via increased international “competitiveness” does not seem viable in the short-run for any of them.

What are the consequences of this admittedly simplified analysis of the changes in global economic conditions for the European Union?

Firstly, the BEPG 2002 should reflect these changed economic conditions (of global economic stagnation) for EU policies and promote ways of exploring the potential of the Member States' internal markets and regional and local employment creation initiatives in European Union heading for enlargement.

Secondly, further fiscal tightening in both the Member States' budgets and the EU budget at a time of economic stagnation would place a heavy burden on the development of internal demand and hamper economic recovery. On the other hand, recourse to debt financing of necessary public expenditure would, in a long-term perspective, create a burden for future generations.

The ability of Member States to invest in ecologically sustainable infrastructure, in education and training and lifelong learning and in the renewal of services of general public interest should be enabled by modernised tax policies. The key to this should be a coordinated strategy, involving the Member States and the European Union, against tax fraud and tax evasion and to establish a policy to tax companies, interests and financial assets according to their higher economic efficiency and ability to pay. Furthermore, coordinated action on ecological taxation should be pursued, thus supporting energy and resource saving strategies, ecological innovation and the development of eco-efficient services. This could enable Member States to finance the ecological conversion of infrastructure.

Finally, in addition to macro-economic policies, much more focus should be placed on the local and regional mobilisation of resources for sustainable development. Regional development pacts, local action plans for employment and local centres for job creation projects are elements of a complementary bottom-up strategy to combat the prospect of recession. Taken together, such policies and the resulting increased capacities of Member States for public spending and investment contribute to stabilising and increasing employment and to modernising our economies with a view to sustainable development.

CONCLUSIONS

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

1. Recognises that the current simultaneous economic stagnation in the industrialised countries may seriously hamper EU economic performance and employment in the short to medium term, that the EU response of "policy-as-usual" is consequently insufficient and that there is an urgent need to strike a balance between coherence, coordination and synchronisation between the social and economic dimension in the context of the Lisbon process;
2. Calls on the Member States to strengthen public and private investment in ecological conversion of infrastructures, in education, training and lifelong learning and social infrastructure in order to stabilise employment and enhance job creation;
3. Is concerned about the failure of the Barcelona Summit to develop an integrated European Sustainability Strategy as envisaged; expects that economic policy will support the goals of full employment with improved quality of work, social inclusion and sustainable development, as a first element to launch the European Sustainability Strategy; reiterates and endorses the Barcelona European Council's conclusions that "full employment in the European Union is the core of the Lisbon strategy and the essential goal of economic and social policies, which requires the creation of more and better jobs" ; considers, therefore, that the Employment and Social Affairs Council should be involved more closely in the establishment of the BEPG, so that a better balance is created between macro-economic policy, employment and social cohesion;

4. Stresses that the common monetary policy pre-supposes increased coordination of financial policy;
5. Welcomes the Social Partners Summit which was convened within the framework of the Barcelona Summit and the intention to have a Social Summit every year preceding the Spring European Councils; takes note of the invitation to social partners to produce an annual report on their efforts at national and European level in the Employment strategy to be presented to this Summit, but stresses the autonomy of the European social partners as to the content of the multiannual programme to be presented in December 2002; calls on the Commission, the Council, the ECB and the social partners to improve the macro-economic dialogue by a combination of productivity oriented wage policies and a monetary and financial policy designed to strengthen economic recovery, so that both elements support the push for full employment; calls for macro-economic dialogue to be stepped up further so that it can make a contribution to setting up the BEPG;
6. Looks to the Commission to carry out a more systematic evaluation of the overall policy mix in order to assess the coherence of monetary and financial policy in relation to economic developments;
7. Emphasises the explicit remark in the Barcelona conclusions that " the Lisbon goals can only be brought about by balanced efforts on both the economic and social fronts", and the European Council's commitment to proposals and activities of the European Commission that fit into the Social Agenda and that are mentioned in that chapter of the conclusions; stresses that for a successful knowledge economy, but also for a service economy and many industrial sectors human resources are crucial; thus not only an employment strategy focused on the number of jobs, but a qualitative strategy focused on improving the conditions and the social environment are imperative to stimulate a motivated and creative workforce;
8. Is concerned at the lack of democratic legitimacy of the various coordination methods; calls therefore for the European Parliament to be more closely involved in the establishment of the BEPG; calls on the national parliaments to do more to ensure the application of the procedure at Member State level;
9. Welcomes the Commission's initiative for a local employment strategy, focussing on mobilisation of resources and actors for development, job creation and innovation. Considers local and regional employment strategies to play a decisive role in creating and in stabilising employment in the current economic stagnation, and suggests that they may also be important instruments for the mobilisation of under-utilised human and material resources and for endogenous economic growth; calls for the new guidelines on the public tendering procedures to make clear provision for social clauses strengthening the participation of local and social projects in public contract tendering;
10. Recalls that one of the greatest long-term challenges in the employment field is to increase the supply of labour so as to improve the social welfare of the population;
11. Calls on the Commission to produce a systematic comparative assessment of the liberalisation of public services in the Member States in terms of the effects on quantity and quality of employment, the environment, territorial cohesion and the quality of and access to services; emphasises that services of general interest have a major role to play

in putting sustainable development into effect; calls on the Commission as a matter of urgency to complete its proposal for a framework directive on services of general interest, its proposal on the establishment of guidelines on state aid, and the group exemptions regulation;

12. Takes the view that selective labour mobility can contribute to overcoming current bottlenecks in European labour markets and that it should be balanced by regional policies to prevent the situation worsening for economically weaker regions and organised migration between regions and resulting social conflicts in Europe. Insists that labour mobility should respect the right of each jobseeker to freely choose the place of employment;
13. Recalls that the mobility of labour in border regions is limited in many respects by factors arising partly from administrative difficulties owing to discrepancies in such matters as social insurance and taxation systems, and calls on the Commission to take initiatives seeking in various ways to remove barriers to mobility in border regions;
14. Accuses the Commission of paying too little attention to the potential impact of enlargement on employment and social affairs including in the existing Member States, and refers to its reports on enlargement;
15. Urges the Commission to adopt measures of all kinds, including training measures for the applicant countries, in order to avoid splits in society and the collapse of the European social model in an enlarged Europe;
16. Considers that the economic guidelines should take account of the social cohesion situation in the Union, and that these guidelines should stress the importance of social developments in the regions of the Union being to some extent in face with with each other;
17. Looks to the Commission to produce an employment strategy giving everyone the opportunity to participate in economic life and helping to create a dynamic and well-functioning labour market which will provide to all employees, who want it, high-quality and productive jobs;
18. Notes the lack of a clear will for economic reforms in order to increase the EU's growth and employment potential.