

EUROPEAN PARLIAMENT

1999



2004

Session document

FINAL
A5-0062/2003

25 February 2003

REPORT

on new proposals for employment strategy and social policy in the European Union
(2002/2236(INI))

Committee on Employment and Social Affairs

Rapporteur: Thomas Mann

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PROCEDURAL PAGE

At the sitting of 19 December 2002 the President of Parliament announced that the Committee on Employment and Social Affairs had been authorised to draw up an own-initiative report, pursuant to Rule 163 of the Rules of Procedure, on new proposals for employment strategy and social policy in the European Union.

The Committee on Employment and Social Affairs had appointed Thomas Mann rapporteur at its meeting of 12 November 2002.

It considered the draft report at its meetings of 9 December 2002, 22 January and 19/20 February 2003.

At the latter meeting it adopted the motion for a resolution by 26 votes to 3, with 7 abstentions.

The following were present for the vote: Theodorus J.J. Bouwman, chairman; Marie-Hélène Gillig, Winfried Menrad and Marie-Thérèse Hermange, vice-chairpersons; Thomas Mann, rapporteur; Sylviane H. Ainardi, Elspeth Attwooll, Regina Bastos, Hans Udo Bullmann (for Jan Andersson), Philip Bushill-Matthews, Chantal Cauquil (for Arlette Laguiller), Alejandro Cercas, Alexander de Roo (for Hélène Flautre pursuant to Rule 153(2)), Proinsias De Rossa, Harald Ettl, Jillian Evans, Carlo Fatuzzo, Ilda Figueiredo, Fiorella Ghilardotti (for Enrico Boselli), Anne-Karin Glase, Robert Goebbels (for Elisa Maria Damião), Roger Helmer, Stephen Hughes, Anne Elisabet Jensen (for Daniel Ducarme), Karin Jöns, Jean Lambert, Mario Mantovani, Claude Moraes, Manuel Pérez Álvarez, Bartho Pronk, Lennart Sacrédeus, Herman Schmid, Miet Smet, Helle Thorning-Schmidt, Ieke van den Burg, Anne E.M. Van Lancker, Barbara Weiler and Sabine Zissener (for Luigi Cocilovo).

The report was tabled on 25 February 2003.

MOTION FOR A RESOLUTION

European Parliament resolution on new proposals for employment strategy and social policy in the European Union (2002/2236(INI))

The European Parliament,

- having regard to the Presidency conclusions of the Lisbon European Council of 23 and 24 March 2000,
- having regard to the Presidency conclusions of the Stockholm European Council of 23 and 24 March 2001,
- having regard to the Presidency conclusions of the Göteborg European Council of 15 and 16 June 2001,
- having regard to the Presidency conclusions of the Barcelona European Council of 23 and 24 March 2002,
- having regard to its resolution of 30 November 2000¹ on 'Acting locally for employment - a local dimension for the European employment strategy',
- having regard to its resolution of 28 February 2002² on the Spring 2002 European Council,
- having regard to its resolution of 25 September 2002³ on taking stock of five years of the European Employment Strategy,
- having regard to the communication from the Commission on streamlining the annual economic and employment policy co-ordination cycles (COM(2002) 487),
- having regard to the Commission's legislative and work programme for 2003 (COM(2002) 590),
- having regard to its resolution of 10 October 2002³ on the Growth and Employment Initiative - measures on financial assistance for innovative and job-creating small- and medium-sized enterprises (SMEs),
- having regard to its resolution of 9 February 1999⁴ on jobs of the future in Europe,
- having regard to the Commission Communication on The future of the European Employment Strategy (EEC) 'A strategy for full employment and better jobs for all' (COM(2003) 6),
- having regard to Rule 163 of its Rules of Procedure,

¹OJ C 228, 13.8.2001, p.16

² P5_TA-PROV(2002)0079

³ P5_TA(2002)0442

³ P5_TA-PROV(2002)0458

⁴ OJ C 150, 28.5.1999, p. 18

- having regard to the report of the Committee on Employment and Social Affairs (A5-0062/2003),
 - A. whereas the Lisbon European Council agreed on the objective of making the Union the most competitive and dynamic knowledge-based economy in the world by 2010, capable of sustainable economic growth with more and better jobs and greater social cohesion,
 - B. whereas the Göteborg European Council decided to add a third, environmental dimension to the Lisbon strategy, thereby incorporating sustainability into this strategy,
 - C. whereas the Lisbon and Stockholm European Councils set specific quantitative targets, namely to raise the employment rate ‘to as close as possible to 70% by 2010’ and to increase the employment rate of women ‘to more than 60% by 2010’, with intermediate targets for January 2005 of 67% employment overall and 57% for women by January 2005, with the additional target of increasing the average EU employment rate among older women and men ‘to 50% by 2010’,
 - D. whereas the pace of technological development means that product cycles are increasingly short, acquired know-how becomes obsolete increasingly rapidly and new skills are required,
 - E. whereas the European economy has stagnated and resulted in a worsened employment situation, and therefore demands a policy for job creation and social inclusion which is effective also in the short term perspective,
 - F. whereas 2003 will be a key year in the transition to an enlarged EU comprising 25 Member states, and the European employment strategy of the future must be designed so that it coordinates national, regional and local employment policies, while respecting the principle of subsidiarity, in order to do justice to the objectives set in the Lisbon and Göteborg sustainability strategy,
1. Is deeply concerned about the new timetable on the Guidelines Package, which gives the European Parliament an even shorter time than before to examine the Commission proposal; requests that this situation be changed and calls on the Commission and the Council to substantially improve early communication to give the European Parliament the opportunity to dispose as quickly as possible of the necessary information and documents; emphasises the need for a regular exchange of views between the Council’s Employment Committee and the relevant European Parliament Committee, in particular in the period leading up to the adoption of the employment guidelines;
 2. Reiterates its demand that the European employment strategy should be a multi-layered process which fosters cooperation between players and promotes a continuous process of learning and growth at local and regional level;

Employment policy guidelines: concentrating on what is essential

3. Welcomes the Commission Communication on the future of the EES with its new focus on a few overarching priorities and its emphasis on implementation, results and delivery, on adequate financial allocations and the strong involvement of social partners, stressing

the need for territorial strategies and calling for the joint mobilisation of all relevant actors;

4. Calls for the coordination of national employment policies to be made more efficient by an improved assessment of the implementation of the employment policy guidelines and for the coherence and complementarity of the different employment policy processes and tools to be enhanced; and stresses the need for Parliament to be informed more promptly than hitherto; points out that the working methods of the Lisbon Strategy have to be improved also in the Council; asks for a reformed General Affairs Council to play a role in establishing the synthesis between the different sets of guidelines, to obtain a proper and balanced coordination in the spirit of the Lisbon conclusions; supports the Commission demand that the EES and the Social Inclusion Strategy should be closely coordinated as they are mutually supportive; emphasises that the Broad Economic Policy Guidelines must not develop into a "coordination of coordination processes" unless they properly reflect all inputs in this coordination exercise and other Council formations are implicated on an equal footing;
5. Welcomes the national employment objectives in most National Action Plans but considers that there is still room for improvement in the implementation of the European Employment Strategy in certain Member States and calls for the appropriate commitment declarations, including those related to targets and best practice based recommendations; calls also on the Commission to focus on key elements; expects all the Member States to implement the guidelines properly and calls for greater scrutiny by parliaments within the Member States;
6. Calls on the Commission and Member States to introduce uniform methods, using statistics based on data broken down by gender, to improve the assessment and comparability between the Member States with regard to economic development, employment quotas and the assessment of reference data, and to lay down the necessary budgetary policies, including gender budgeting;
7. Believes that EU employment strategy and social policy proposals should invariably be informed across the board by the concern, as expressed in the necessary implementing measures, to promote health and well-being at work, in accordance with the overall EU strategy on health and safety at work (2002-2006);
8. Reiterates its urgent calls to start a European-wide economic and investment policy in order to stimulate public and private investment, and thus growth and employment, as an instrument of positive economic coordination; calls for practical measures to promote consistency and transparency in financial and capital markets in Europe so as to increase confidence among investors through uniform rules and hence their willingness to invest;

Strengthening coordination in the field of social protection :

9. Calls on the Council and Commission also to strengthen the application of the open coordination method in the field of social protection and the fight against social exclusion; welcomes the initiative of the Greek Presidency in this connection and asks to be involved in it;

10. Considers that open coordination in the areas of combating poverty and social exclusion and of social protection must, in the near future, come to constitute a pillar equivalent to economic and social coordination; calls on the Commission to waste no time in making proposals, as announced in its communication on streamlining the annual economic and employment policy co-ordination cycles, with a view to according it its proper place in the new coordinated procedures;

Taxation policy

11. Considers that citizens will accept comprehensible, transparent, forward-looking tax legislation; calls therefore on the Commission to submit initiatives for employment-friendly taxation, taking into account national traditions;
12. Welcomes the Council's and Parliament's decision to allow Member States to levy reduced rates of VAT on services such as community care, minor repair and refurbishment work and cleaning services up to the end of 2003; urges, however, that these jobs too should be of high quality; asks for an in-depth evaluation of the results of this measure in the Member States in order to judge on possible exemptions in the future; calls also on the Council and Member States to ensure that sectors of importance for job creation and social inclusion – such as the social economy – are treated more favourably in terms of taxes and social security contributions;
13. Welcomes the Council's political agreement of 21 January 2003 on taxation of capital revenues; considers that a better coordination of Member States' taxation policy in the field of mobile tax resources can attenuate fiscal competition between Member States and give them better opportunities to lower taxation on labour;
14. Considers that strict compliance with the Stability and Growth Pact is the basis for the confidence of the citizens and financial markets in the euro as a currency and insists, partly with a view to the sustainability of the employment situation, that the elements of the Stability Pact should not be changed; considers, however, that priority should be placed on stimulating growth and investment in order to use these as an instrument of positive economic coordination;

Small and medium-sized enterprises (SMEs): the motor of employment in Europe

15. Calls on the Member States to make effective improvements to the business environment and to help support existing and encourage the establishment of new SMEs, in particular those with effective high potential for high-quality job creation (as in ICT or in neighbourhood services including the social economy), and to facilitate the change of generations in existing businesses, notably by the following measures:
- making available venture capital at favourable rates of interest for a minimum period of 15 years,
 - a comprehensive plan for cutting red tape,
 - the further extension of information networks for people starting up businesses to provide them with information on national and European promotion agencies and how to obtain advice and assistance;
 - promotion of female entrepreneurship and development of female management skills through training, information, assistance services, and easier access to credit;

- the establishment of research and innovation centres to improve SMEs' production capacity,
- organising private-public cooperation programs involving SMEs,
- establishing regional and local partnerships for the establishment of new SMEs with high job-creation potential,
- providing SMEs with expertise and guidance on how to enter foreign markets;
- supporting SMEs' resource pooling and cooperation chains;

16. Criticises the rapid growth of undeclared employment and the hidden economy; calls for the problem to be tackled by means of more intensive communication and better mutual administrative assistance, to be provided by the appropriate national authorities on a Europe-wide scale; calls on the Member States to make work more attractive for employees and employers alike by providing incentives to promote declared employment so that the burden of social insurance contributions on employment is substantially reduced, the creation of new jobs becomes cheaper and net income increases; emphasises as a consequence of the Lisbon strategy the importance of creating high-quality jobs;
17. As regards the hidden economy, calls on the Member States to consider and, where appropriate, implement such specific measures as might be required to uncover hidden enterprises and incorporate them into the normally regulated legal economy, thus preserving jobs created which, if no steps of any kind were taken, would cease to exist;
18. Confirms its determination, in conjunction with the social partners, to make labour markets and employment organisations more sustainable in order to boost employment, whilst maintaining an adequate balance with job quality and security; emphasises the possible positive aspects of temporary work and part-time work and local jobcreation associations, particularly for the long-term unemployed, first-time workers and less-qualified workers; considers that structural labour market reforms can only be meaningful if they accompany important macroeconomic actions and real change; points out that reforms have to result in better jobs;
19. Points out that the local dimension of employment is important both for small and medium-sized enterprises in general and because it is closely linked to sectors with a social component and services in the broad sense, without excluding other sectors; considers, therefore, that efforts need to be made to secure the increasingly active involvement of the most directly accessible authorities, that is to say regional and in particular municipal authorities, extending also to the various events and bodies under their responsibility or operating in conjunction with them;

Strengthening the role of the social partners

20. Emphasises the importance of the social partners at European and national level and considers that the social dialogue is a decisive factor in tackling future challenges and in implementing the Lisbon strategy;
21. Expects the social partners to be fully involved in preparing the annual Spring Summit and is therefore in favour of establishing a Tripartite Social Summit as an official body that could meet before the Spring Summit;

22. Calls on the social partners at national level to treat employment as a priority in all areas for which they bear responsibility, such as economic restructuring, active ageing, human capital and lifelong learning, working patterns, flexibility and security, combating discrimination, and narrowing the gender-specific wage gap;
23. Reiterates that the European social model with its forum, the European social dialogue and its agreements on minimal social standards in enterprises is indispensable and should not be undermined by a forced employment strategy; proposes that more should be done to help employees accumulate capital, for example through works funds;
24. Takes the view that enterprises are more likely to win the trust of consumers by adopting a comprehensive social approach and assuming responsibility at local level rather than by following an approach based purely on the maximisation of profits or cost-saving measures; calls on entrepreneurs and managers to acquire the theory and practice of such a social approach in further education courses and to implement practices consistent with a policy of corporate social responsibility;

Strengthening the participation of Civil Society

25. Welcomes recognition of the positive role of civil society organisations in the European employment strategy and calls on Member States to develop mechanisms aimed at ensuring the involvement of representative non-governmental organisations in the preparation and evaluation of the National Action Plans. In particular calls for the establishment of National Committees involving non-governmental organisations representing disadvantaged and discriminated groups in the access to the labour market, Social Partners, and public authorities outlining and assessing concrete actions for the removal of barriers in the labour market targeted at the different groups;

An extension of the knowledge-based society means that investments in human resources are necessary

26. Demands that the new generation of guidelines take into account full employment, the quality of employment and productivity, and an integrated labour market: sustainability must be ensured and competitiveness raised through more concentrated investments in education, training and specialisation measures;
27. Points out that structural changes affect undertakings, technologies, jobs and people's lives; calls for future guidelines to focus on investing in acquiring higher qualifications, the targeted promotion of the knowledge-based society, measures to promote equal opportunities and to help reconcile working and family life, and increased efforts to include those excluded from society so that all sectors of the population are involved in these changes;
28. Points out that not nearly enough attention is paid to demographic change and calls on the Member States to pursue a policy more in favour of children and the family and to make jobs for the elderly, and working into later life, more attractive and to encourage people with job experience who are willing and able to work by introducing further training courses, more flexible working hours and part-time work for the elderly; believes that older people in particular should be encouraged to exploit their creative potential for voluntary social, education-oriented, cultural, and ecological work, for which the

appropriate social security cover should be provided; considers, further, that controlled immigration should be regarded as an opportunity because it increases the supply of skilled workers; believes that the related social integration aspects and the costs incurred therein must be taken properly into account;

29. Calls for targeted training and further training measures geared to the needs of enterprises and the labour market; criticises the slow implementation of many national further training plans and calls on the Member States to implement their vocational training initiatives more rapidly; insists that new qualitative and quantitative measures must be taken to increase pressure on the Member States;
30. Underlines the crucial role played by schools in providing a strong educational basis for future work opportunities and stresses the importance of ensuring that the European Social Fund is fully utilised and updated with regard to vocational training opportunities in a fast changing labour market; considers that lessons must be learned from the PISA Study and all participants in the labour market must be ensured access to life-long learning through appropriate agreements on employment conditions between the Social Partners;
31. Calls on the Member States to increase their spending to promote the mobility of market players and, in collaboration with the social partners, create the conditions required for greater mobility so as to provide flexibility on the labour markets and open up access to lifelong learning;
32. Points to the labour market potential of the ICT sector which enjoys annual growth rates of 8%; calls on the Member States, in order to develop a high technological intelligence quotient, to make computer courses an integral part of the curriculum, to expand the choice of courses in computer training and to offer more IT courses in further education institutes and evening schools, paying particular attention to the need to promote balanced participation of women and men;
33. Calls on the Member States to improve cooperation between universities and to enhance the status of researchers and scientists and to broaden their training, taking particular account of the need to move towards more balanced representation of women and men in this field, since many enterprises relocate their research departments outside the EU owing to the shortage of experts; looks to the Commission not merely to play a neutral role, but actively to conduct discussions about future models of the labour markets;
34. Calls on the Member States to promote research and technologies of the future in order to ensure international competitiveness and to increase the efficiency of investment in general and vocational education and investment in human capital, including measures for lifelong learning;
35. Calls on the Member States to further develop public transport, communications, and navigation systems with a view to enhancing their sustainability and future viability and to invest in technologies of the future, since these areas are a significant potential source of future employment;

Combating gender specific labour market problems, removing obstacles to discriminated groups, and squaring the demands of the family and the workplace

36. Calls on the Commission to include gender mainstreaming and equality for women and men as a fourth overarching objective of the new EES, because a lasting increase in the general employment rate is only possible if the female employment rate is strongly improved, and gender segregation and the wage gap between female and male employment are eradicated;
37. Looks to the Member States to increase the resources set aside for programmes tackling female unemployment and to make it easier to square the demands of family and professional life, by creating greater opportunity for parents to spend more time with children and by building childcare facilities, enabling parents to take parental leave, and providing tax concessions for childminders and foster parents and care and assistance facilities for the elderly;
38. Calls for more attention to be paid to gender mainstreaming in the National Action Plans; welcomes the new Community Statistics on Income and Living Conditions (SILC) initiative which the European Parliament has encouraged in several motions for resolutions and which from 2006 will provide data - in particular on underpayment, poverty, equal participation and representation;
39. Notes that the level of participation in the labour market of disadvantaged groups has not improved compared to the active population in general. Calls therefore on the Commission to further promote comprehensive preventive and active employment policies targeted at disadvantaged and discriminated groups, according to their specific needs; including job retention measures for workers who become disabled during their working life;
40. Demands that the future strategy does more to promote the participation of socially disadvantaged and discriminated groups; invites Member States to set specific national targets for the inclusion in the labour market of disadvantaged groups including people with disabilities, ethnic minorities and migrants, young people, and the long-term unemployed, in terms of employment rates in comparison with the overall active population; calls for the consistent implementation of the equal treatment directive on employment and occupation based on Article 13 at national level; reminds the Member States, finally, that they have committed to devise action plans to tackle social exclusion;
41. Calls on the Union and the Member States to devise indicators to gauge the access to employment afforded to the disabled, basing them on the findings of the special section on disability in the 2002 EU labour force survey, in order for the first time to produce comparable statistics on the employment levels of disabled people in the Union;
42. Calls on the Commission and the Member States to dovetail the European employment strategy more effectively with the Structural Funds so as to simplify procedures and increase the uptake of funding;

Encompassing the applicant countries within the European employment strategy at the earliest possible stage

43. Supports the efforts of the Commission to take targeted measures to prepare the twelve candidate countries which are set to join the European Union in 2004 or 2007 for the European employment strategy and hopes that those countries will be actively assisted by

the Commission in setting up operational administrative structures to implement the employment strategy so that infrastructures can be established that are effective at local, regional and national levels;

44. Instructs its President to forward this resolution to the Council, the Commission, the governments and parliaments of the Member States and the social partners.

EXPLANATORY STATEMENT

1. The European employment strategy

Over the last five years there has been a substantial reduction in the number of unemployed people in the European Union: it has fallen from 17 million in 1997 to 13.5 million in 2002. Average unemployment rates have fallen from over 10% in 1997 to 7.4% in June 2001.

Until mid-2001, employment rates were rising in all Member States. Since the Spring of 2001 this trend has changed: with falling GNP growth rates, the growth in employment has slowed down markedly. Towards the end of 2001 the growth in employment in Denmark and Austria came to a standstill. In Greece and Germany employment even declined. Now, in 2002 we have a situation in which unemployment is slowly increasing again (7.7% in June 2002).

There is no doubt that the European employment strategy, the so-called Luxembourg Process, and in particular the guidelines based on the four pillars of entrepreneurship, employability, adaptability and equality of opportunity, have had an impact in successfully combating unemployment. This strategy helps shape national labour market policies by obliging the national authorities to submit an annual report outlining the measures they have taken. Within the framework of guidelines the Commission, after consulting Parliament, recommends that the Member States adopt a series of measures which have proved successful. It also draws up measures tailored to the individual Member States, so-called 'recommendations'.

Since all the Member States' reports are brought together by the Commission and published in an annual report on employment, Member States can compare their own policies with those of their EU neighbours. This comparison generates pressure to pursue a policy based on successful formulas. The objective is to disseminate successful measures among the Member States. This strategy cannot be a panacea for unemployment, but it can help reduce it.

2. New challenges

The strategy has positively influenced national labour market policies by pointing the way towards successful measures. However, the number of unemployed is still too high, too few elderly people are in employment and there are great disparities between regions of the European Union, often within individual Member States.

At the Lisbon Summit in the Spring of 2000 the European Council agreed to make the European Union the most competitive and dynamic knowledge-based economy in the world by 2010, capable of sustainable economic growth with more and better jobs and greater social cohesion. It set quantitative targets, namely to raise the employment rate 'to as close as possible to 70% by 2010' and to increase the employment rate of women 'to more than 60% by 2010'. In Stockholm, the Heads of State and Government also set intermediate targets: 67% overall and 57% for women by January 2005; the average EU employment rate among older women and men should increase 'to 50% by 2010'.

The European Council also calls for more and better jobs, thereby addressing the issue of the 'quality of work'. The employment strategy can serve as an instrument to promote the development of the Union in line with the Lisbon objectives. A new generation of

employment guidelines should be more focused on achieving the employment targets and improving the quality of employment.

In 2004, i.e. within the first year of the 'new' generation of employment guidelines, the Union will expand to absorb ten new Member States. The employment strategy must be adopted by these States. Unemployment is on an unprecedented scale. The European employment strategy must take into account the interests both of Member States and the candidate countries.

3. Commission proposals for a revamped employment strategy

According to the Commission proposals, the new employment strategy should help attain three objectives:

- The strategy should **help employment rates attain the targets set in Lisbon**;
- It should **improve the quality of work**; better jobs are not only in line with the European Social Model, they also lead to an increase in productivity;
- It is intended to promote the growth of a **labour market** which is also open to **socially disadvantaged groups**, though it is up to the Member States to determine the identity of these groups.

To facilitate application in the 25 Member States, future guidelines on employment are to be less detailed and prescriptive and focus rather on the desired objective. They should describe the targets to be achieved without stating how to achieve them. The Commission's annual report on National Action Plans detailing planned measures and measures already taken must be simplified. The Commission should perhaps draw up a single model which provides for an assessment of certain indicators and corresponding measures.

A future employment strategy must concentrate more on fostering an exchange of optimal solutions among the Member States, for this is what provides the 'added value' of the strategy.

4. The future strategy from the point of view of the rapporteur

4.1. Local, regional, national and European levels must learn from each other

Parliament has drawn attention to the inadequate implementation of the employment guidelines in a number of resolutions. This problem could be overcome by paying more attention to the experience of local and regional players at the planning stage. Their experience should contribute to shaping strategies at national and European level, so that implementation can be improved. A continuous process of learning and development must be initiated which will make cooperation between employment strategy players a matter of routine.

Key elements of the guidelines can only be implemented with the help of the social partners. They should be more involved in the new strategy. In this process, the European Parliament and the Commission can rely on close cooperation with the social partners, including the Union of Industrial and Employers' Confederations of Europe (UNICE), the European

Association of Craft and Small and Medium-Sized Enterprises (UEAPME) and the European Trade Union Confederation (ETUC).

4.2. Employment policy guidelines: concentrating on what is essential

Poor implementation of the employment strategy in the Member States is partly due to the fact that the guidelines are too comprehensive. Future guidelines should focus on key positions and contain a selection of the issues covered so far. The Commission's proposal for medium-term guidelines, covering three years for instance, is to be welcomed, but should not replace the annual review of labour market policy. Annual reports are necessary to maintain political pressure on the Member States and also allow the rapid dissemination of new and productive ideas.

4.3. Creating framework conditions for more growth and investment

Long-term thinking and positive expectations are the basis for growth and investments. In order to achieve this, the confidence of investors must be strengthened. The Commission's achievement so far as regards the Financial Services Action Plan is to be welcomed, but further practical measures must be taken to harmonise conditions in European financial and capital markets, such as the recent directive on combating insider dealing and market manipulation: the introduction of clear and uniform rules throughout the European Union will boost the confidence of investors, and investments are necessary if we are to return to a period of increased economic growth.

Entrepreneurship is the motor for job-creation. A more positive climate must therefore be created for setting up businesses: for example, comprehensive and transparent tax legislation with clear objectives is necessary. Taking national traditions into account, the Commission should take further steps to adjust tax bases, whenever this is necessary for the smooth functioning of the internal market, without seeking to standardise tax rates. All taxation should seek to reduce the overall tax burden on citizens and enterprises. Tax increases adversely affect domestic demand and adversely affect the economy. The administrative costs involved in taxation should also be borne in mind. In the fight against unemployment and social exclusion it would be a mistake to jettison elements of the Stability Pact. This would damage the credibility of any employment policy and seriously jeopardise the stability of the euro. All measures to tackle unemployment and social exclusion must be compatible with Stability Pact commitments.

4.4. Small and medium-sized undertakings (SMEs): the motor of employment in Europe

Small and medium-sized undertakings (SMEs) are the backbone of Europe's economy, since they account for some 70% of jobs and 80% of training places in the European Union. The Lisbon European Council (2000) and the Barcelona European Council (2002) confirmed that promoting SMEs was a priority of the European Union. A future employment strategy must substantially improve the climate for SMEs by inducing the Member States, while respecting the subsidiarity principle, to help reduce investment costs and save unnecessary administrative expenses for SMEs.

In view of the difficulties SMEs face in getting started – in the first six years some 42% of new enterprises founder, – the Member States could envisage the following practical

measures: tax exemptions in the start-up phase, namely the first three years, and a substantial increase in the threshold values for assets which may be immediately written off. Venture capital at a favourable rate of interest for a period of at least 15 years should also be made available through the State credit institutions. Solid equity financing can provide new enterprises with sufficient liquidity and ensure that they are competitive. Bogus independence should be dispensed with, since it harms 'genuinely' independent enterprises. Authorisation procedures for buildings and extensions should be accelerated. It should also be considered whether newly founded enterprises should be allowed to conclude fixed-term employment contracts during the first three years without any limitations.

4.5 Further extending the European Social Model and giving globalisation a human face

Globalisation should be viewed as a challenge. Free trade provides opportunities. The European Social Model with its forum, the European social dialogue and its agreements on minimum social standards in enterprises continues to be an indispensable basis for the acceptance among citizens of the European idea. It must not be undermined in pushing through an employment strategy or jettisoned in the event of economic fluctuations. Social cohesion and the social responsibility of enterprises must be ensured, in particular the event of sickness and invalidity, no matter how flexible conditions become. Measures to increase employees' capital assets, for example through works funds, may help in this respect, and best practices in the Member States should serve as a model.

In future enterprises will win the confidence of consumers by adopting a comprehensive social approach rather than one based purely on the maximisation of profits or cost-saving. Entrepreneurs and managers should change their way of thinking and take on board some aspects of social theory and practice in further education courses, so as to boost the motivation of the staff, thereby generating added value.

Demographic change is bringing about a gradual change in existing pension funding schemes. As part of this change, working life must be prolonged by keeping elderly people in employment. Jobs for the elderly must be made more attractive. Measures must be taken to encourage the integration of people with long professional experience who are willing and able to work, for example by further education measures, more flexible working hours and part-time work for the elderly.

4.6 Key positions of the future: Innovation and the Information Society

If the Community is to be competitive, it must above all provide products and services which are highly innovative and technologically advanced. Aid should be channelled in particular to research and the production and application of modern, environmentally-friendly technologies and optimising cooperation between research and the economy.

International competition in particular means that the European Union must substantially reduce the volume of subsidies and State aid and make the system more transparent. Keeping some branches of industry artificially alive means using capital unproductively, instead of promoting jobs with a future.

The information and communications technology sector which enjoys annual growth rates of over 8% above the average compared to the GDP in the EU, is creating an enormous labour

market potential. ICT courses should therefore be made an integral part of curricula at secondary level. Courses in computer training and the choice of IT courses at institutions of higher education and evening schools should be expanded, notably with the help of ESF resources. Public – private partnerships between libraries, higher education institutes and enterprises could facilitate access to ICT instruments.

In this sphere, Parliament and the Commission can draw on the quality work undertaken by the European Training Foundation (ETF) and the European Centre for Development of Vocational Training (CEDEFOP) and take advantage of their experience in the field of European further education.

4.7 Further measures to combat female unemployment and simplifying access to the labour market

Member States must be more ambitious in combating female unemployment. They must ensure that the conflicting demands of family and professional life can be squared more easily, for example by building childcare facilities and providing tax concessions for childminders.

The employment guidelines should focus more on the objective of combating social exclusion. They should contain proposals outlining how the labour markets can be opened to socially disadvantaged groups, including the disabled, young people without any training and the long-term unemployed. All Member States should consistently implement Article 13 of the Treaty and the legislation based thereon.