

# Economic policies of the euro area

2017/2114(INI) - 26/10/2017 - Text adopted by Parliament, single reading

The European Parliament adopted by 382 votes to 176, with 51 abstentions, a resolution on the economic policies of the euro area.

**Context:** Members recalled that according to the Commission's forecasts, the GDP growth rate for the euro area was 1.8 % in 2016 and is set to remain steady at 1.7 % in 2017 and at 1.9 % in the EU overall, surpassing pre-crisis levels while still being insufficient to boost job creation in the Member States.

The euro area and EU28 unemployment rates were 9.3 % and 7.8 % respectively in April 2017. Significant differences in unemployment rates remain across the EU ranging between 3.2 % and 23.2 %. In addition, the general government debt-to-GDP ratio in the euro area is forecast to stand at 90.3 % in 2017 and 89 % in 2018.

**Structural policies:** Parliament considered that the uneven growth and employment situation in the euro area requires **better coordination of economic policies**, in particular through improved and consistent national ownership and sound implementation of the country-specific recommendations (CSR) in the framework of the European Semester. Reforms should take due account of the specific situation and challenges in each Member State.

Stressing that elevated and persistent youth unemployment is a long-term structural risk, Members called for the implementation of **sustainable structural reforms** to tackle as a priority long-term unemployment, employment not making full use of skills and abilities, and ageing societies to high levels of private and public debt.

Parliament called on the Member States to **reduce excessive levels of indebtedness**. It also expressed concern at the persistently high level of non-performing loans (NPLs) in some Member States could present a risk to financial stability in Europe. It stressed the need for **reforms to improve the business climate** to boost productivity, price and non-price competitiveness, investment and employment in the euro area.

The resolution stressed the need:

- to agree on additional efforts to boost access of **SMEs** to finance;
- to maintain the **high employment rates** where they have already been achieved;
- to take account of responsible and growth-friendly wage developments;
- to introduce **tax reforms** with a view to improving tax collection, preventing tax avoidance, tax evasion, as well as tackling the high tax burden on labour in Europe.

**Investments:** given the investment deficit in the euro area, Parliament stated that the economic recovery should be supported by public and private investment, in particular in **education, innovation and research and development** in order to better adapt to the knowledge economy. Completing the **Capital Markets Union** is also crucial for attracting and increasing investment, and improving the financing for growth and job creation.

**Budgetary policies:** Members considered that **prudent and foresighted fiscal policies** play a fundamental role for the stability of the euro area and the Union as a whole. They underlined that **strong coordination of fiscal policies**, the proper implementation and compliance with the Union rules, including the full respect of its existing flexibility clauses, provided by the Stability and Growth Pact, in

this area are a legal requirement and key to the proper functioning of Economic and Monetary Union (EMU).

Highlighting the need to make public finances sustainable while promoting economic growth and jobs, Parliament emphasised that low interest rate payments, accommodative monetary policies and one-off measures to ease the burden of current debt are only temporary.

**Country-specific recommendations (CSRs):** Members expect a greater commitment from Member States to take the necessary policy actions based on agreed **country-specific recommendations**. While recognising that Member States have made progress in the implementation of CSRs in the area of fiscal policy and active labour market policies, not enough progress was made in areas such as competition in services and the business environment.

All Member States should take steps to **correct macro-economic imbalances**, in particular high levels of indebtedness, current account surpluses and competitiveness imbalances.

**Employment and social policies:** Parliament called for continued efforts to **strike a balance between the economic and social dimensions** of the European Semester process and to promote socially and economically balanced structural reforms that reduce inequalities and promote decent jobs leading to quality employment.

Increased attention should be paid to **structural imbalances in the labour market** in country-specific recommendations. In addition, the social impact of European policies should be evaluated.

The Commission and the Member States are called on to:

- secure adequate funding to **combating youth unemployment** by continuing the Youth Employment Initiative (YEI) beyond the end of the current multiannual financial framework (MFF) and by enhancing the implementation of the Youth Guarantee Fund;
- enhance the effectiveness of labour market policies through funding that focuses on the environment, the employer, the worker, health and consumer protection;
- give greater recognition and visibility to **social economy enterprises**;
- enhance **social dialogue**, collective bargaining and the position of workers in wage-setting systems;
- put forward ambitious proposals for a **European Pillar of Social Rights**;
- explore ways of defining what a **decent living wage** might entail and how to measure it;
- better coordinate at European level the management of **social security schemes**;
- put in place all suitable mechanisms for greater youth mobility, including apprenticeships.

Parliament called for an integrated **anti-poverty strategy** to achieve the Europe 2020 poverty target, and called for Member States to work towards the gradual establishment of **minimum income schemes** ensuring sufficient coverage and take-up.

Lastly, Members called for the **European Structural and Investment Funds** (ESI Funds) to be used more effectively to promote investment in quality social, health, education and employment services, and to tackle energy poverty, increasing living costs, social exclusion, housing deprivation, and the insufficient quality of housing stock.