Broad guidelines of the economic policies BGEP of the member States and the Community for 2003-2005

2003/2074(INI) - 03/06/2003

The Council adopted its report on the Broad Economic Policy Guidelines (BEPGs) (for the 2003-2005 period) and decided to forward it to the Thessaloniki European Council (20 June 2003). The Council draws specific attention to three main priorities for policy action, namely: 1) Giving priority to growth in Europe, 2) Reforms for more and better jobs, and 3) Reforming pensions and health care systems. 1) Giving priority to growth in Europe : the most promising approach to increase growth performance and its potential in mutually reinforcing growth- and stability-oriented macroeconomic policies and structural reforms. Price stability, including labour cost developments that are in line with productivity developments, and sound public finances are pre-conditions for the restoration of confidence. Therefore, there is a need to achieve an appropriate balance of monetary and fiscal policies to provide a platform for the strengthening of domestic demand, job creation and growth. In addition to sound macroeconomic policies, making Europe the most competitive and dynamic knowledge-based economy in the world requires a stepping up in investment in human and physical capital. In this context, the EU and Member States should create framework conditions that facilitate investment in Research and Development as well as in infrastructure. Member States should lift barriers to the economy-wide application of technology and should also foster public-private links to exploit research findings. Furthermore, Member States need to prioritise the involvement of SMEs in R&D through their participation in integrated projects. The completion of the internal market is also key to increase the competitiveness of industry. 2) Reforms for more and better jobs : Increasing employment in Europe will require far-reaching structural reforms. Labour markets must become more efficient, inclusive and adaptable, with more and better employment opportunities for all. Action is urgently needed to make work pay so that people seeking work are not discouraged by the prospect of losing benefits and paying higher taxes. For most Member States, this implies undertaking tax-benefit reforms to reduce non-wage labour costs, and to increase incentives to take up employment. In establishing security and minimum standards for workers, it is necessary to strike a balance favourable to employment creation allowing flexibility for firms to respond to changing economic conditions. A key objective is to increase labour market participation, particularly amongst women, the over-50s, the low-skilled and the long-term unemployed. Life-long learning and constant upgrading of skills are key for higher productivity and better jobs. There is also a need to encourage closer co-operation in skills standards across Europe, so that qualifications and experiences are widely recognised and mobility is facilitated. 3) Reforming pensions and health care systems : Europe will face major demographic changes in the years to come, which will put increasing pressure on public finances. To avoid leaving an unsustainable burden for future generations, most Member States need, on top of further consolidating their public finances and raising employment rates, to engage in far-reaching pension and health care reforms now. The demographic window of opportunity for the phasing-in of effective reform is closing rapidly. Reform action is of utmost importance. These reforms can be achieved more easily and successfully if implemented in a comprehensive and coordinated way.