Broad guidelines of the economic policies of the Member States and the Community for 2002

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PURPOSE : to present the European Commission recommendation for the 2002 Broad Economic Policy Guidelines (BEPGs) of the Member States and the European Union. CONTENT : with the 2002 BEPG's, the EU enhances its integrated economic policy strategy. In order to achieve its ambitious economic objectives, the 2002 BEPGs urge Member States to step up the pace of economic reform. Action is recommended to concentrate on four areas: 1) safeguarding macro-economic stability : the 2002 BEPGs advocate efforts to be stepped up to reach budgetary positions close to balance or surplus as soon as possible in all Member States and at the latest by 2004. The norm for budgetary behaviour should be to let automatic stabilisers operate freely and symmetrical over the cycle, subject to the 3% of GDP deficit threshold. Cyclically adjusted budget balances should be close to balance or in surplus at all times. To accomplish or maintain a sound budgetary position, tax reforms must be properly financed and matched with reductions in public expenditures where appropriate. Moreover, continued responsible wage behaviour is needed from the Social Partners. Nominal wage increases should be set consistent with price stability, job creation and labour market conditions, thereby allowing an evolution of wages according to productivity developments and skills differentials; 2) raising labour force participation and employment as well as addressing persistent unemployment : it is imperative to prevent the forecasted cyclical increase in unemployment this year from becoming structural in nature. The 2002 BEPGs recommend measures to lower the cost of labour and to adapt tax and benefit systems (including conditionality, eligibility and duration) to make work pay. Further recommendations ask for the removal of obstacles to regional and occupational labour mobility, for improved real wage flexibility, and for increased effectiveness of active labour market policies. In order to strengthen incentives for people to take up work and to enable them to participate in the labour market, the 2002 BEPGs address a number of concrete guidelines to Member States, specifically phasing out early retirement schemes, increasing care facilities for children and other dependants, promoting flexible work organisation, including part-time formula's for education and training, and improving information about job opportunities; 3) strengthening conditions for high productivity growth : despite encouraging progress thus far, large segments of European product markets are still insufficiently integrated to make the Union an attractive location for investment. To this end, the 2002 BEPGs advocate reforms inter alia the further integration of energy and communication networks across Europe. They also call for greater incentives for private sector R&D spending, knowledge transfer between universities and businesses and access to ICT. Equally important is a business-friendly regulatory environment, more efficient public tendering, and investment in education and training to enhance the skills and adaptability of the workforce; 4) promoting sustainable development in the interest of current and future generations : The 2002 BEPGs ask Member States to make more use of economic instruments like taxation and insurance/liability schemes. They are a way to implement the polluter-pays principle more consistently and with greatercost-effectiveness because they allow prices to reflect the costs of environmental damage and they encourage technological innovation. In order to fulfil the requirements of the Kyoto protocol in a cost-effective way, Member States should inter alia prepare for the introduction of emissions trading at the EU level. In order to prepare for the challenges posed by ageing societies, the 2002 BEPGs recommend Member States to pursue a comprehensive strategy. This includes efforts to raise their employment rates as well as reform pension and health care systems with a view of placing them on a sound financial footing. Warranted are also measures that aim at increasing the effective retirement age (for instance by restricting access to early retirement programmes), making the pension systems cope better with demographic risks and increases in life expectancy, and promoting greater reliance on funding as well as actuarial fairness.