Broad guidelines for the economic policies of the Member States and European Community for 1995

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This Commission recommendation on the broad guidelines for the economic policies of the Member States has been drawn up and adopted in accordance with Article 103 (2) of the TEU. These guidelines provide a reference for the economic policies implemented by the Community and the Member States. If these guidelines are implemented in full, convergence will be strengthened and the excellent prospects for growth will be translated into real growth, thereby reducing unemployment rates considerably. Two aspects of economic policy give cause for concern: - "negligence towards adjustment", i.e. a less than firm commitment to resolve structural imbalances in public finances once and for all or a less than resolute determination to implement the measures needed in order to rectify shortcomings on the labour market following the initial signs of recovery; - instability in exchange rates which threaten the single market acquis and increase the risk of inflation spreading. Four major objectives must be attained in order to consolidate the current recovery and guarantee strong, sustainable, non-inflationary, job-creating growth in the medium term and enable the Community to move on to stage 3 of EMU without any adverse repercussions: - monetary policy must be geared to stability and must not be derailed by budgetary developments or inappropriate wages; - a sustained effort must be made to consolidate public finances in the majority of Member States; - nominal wage developments must take account of the objective of price stability and wage developments must strengthen the profitability of job-creating investments; - structural reforms must be designed to stimulate the competitiveness of the economies of the Member States and improve the working of their labour markets. Guidelines for economic policy: 1) price and exchange rate stability: the Member States should introduce policies which aim to sustain stable exchange rates in the Community, thereby strengthening price stability. Strict budgetary policy and the credibility of Member States' commitment to consolidating public finances will play a decisive role here; 2) sound public finances: the main task of practically all the Member States is to take full advantage of current growth and promote consolidated budgets by reducing structural deficits. Member States need to reduce these deficits to less than 3% of GDP as quickly as possible as a first step towards reducing them to between 0 and 1% of GDP. This will enable the average budgetary deficit in the Community to be reduced to below 3% in 1997; 3) competitiveness: the rate of transposition of Community directives on the completion of the single market is 92.4%, even if progress is still needed in certain areas (insurance, public telecommunications, energy and transport markets, free movement and competition rules). The Community will only be dynamic if tangible and intangible investments are made, especially in the area of training and infrastructure (it is essential in this respect to complete the trans-European networks and implement the plan on the information society); 4) labour and employment market: the Essen European Council identified 5 priority measures needed in order to improve the employment situation in the Community. Member States are called on to implement measures in keeping with their specific situation and to draw up multiannual programmes in this respect. Employment policies should help to reduce unemployment by: . improving the job prospects for labour by promoting investment in vocational training; . increasing the number of jobs through growth by efficiently promoting employment in the Member States, reducing the non-wage costs of labour and encouraging the development of new employment resources; . improving the employability of labour, mainly by strengthening the mobility of workers and granting aid to the groups hardest hit by unemployment (excluded groups). The Member States need to adopt multiannual programmes along these lines in order to strengthen job creation throughout the Community.