Employment in Europe. 1995 annual Report

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OBJECTIVE: this Commission communication seeks to analyse the main trends and aspects of recent employment policies in the Member States identified at the Essen European Council with a view to identifying sound practice and encouraging their dissemination. It also contains the Commission's initial response to the issue raised at the Cannes Council of coordinating the economic and structural policies of the Member States and is intended to prepare for the first annual report on employment which must be submitted to the Madrid European Council on 15 and 16 December 1995. SUBSTANCE: the first message in the Commission's communication is that if Europe achieves its objective of annual investment-led growth of 3-3.5%, the fall in the number of unemployed would enable the unemployment rate to drop to 7.5% by the year 2000. However if these macroeconomic trends are accompanied by structural measures intended to accelerate growth in employment, the unemployment rate could fall by a further 2.5%. Use of the full range of policies: to achieve this end all the policies to benefit employment must be used simultaneously and in a coordinated manner in order to establish a macroeconomic policy which will restore public finances and give room for businesses to grow and create new jobs, especially with regard to SMUs, a vigorous structural policy replacing passive labour market policies with an active labour market policy. Economic climate: the communication indicates that the European economic situation is improved and that the success of the structural reforms is starting to be felt. The European economy is in a better state for several reasons: inflation is low (the lowest rate for 30 years), profits are sound and almost as high as in the 1960s, the trade balance is positive and the results obtained are better than in 1960, 1970 and 1980. The combination of these factors shows that the basic conditions for growth and job creation are better than for 20 or 30 years. Structural reform: the success of structural reform is shown in the multiannual programmes put forward by governments. This reform process is far-reaching and applies particularly to the social security systems (in particular pensions schemes which are sounder and more balanced). The provisions for collective negotiations have also opened the way for lower inflation and more moderate salary demands. The reforms taken together offer genuine and positive prospects for greater flexibility in the labour market. The Communication however raises a certain number of questions: will the social partners work together to achieve price stability and higher real pay levels or will they opt for inflationary wage agreements; will governments undertake to go further along the path of an active rather than a passive employment market policy; will undertakings take the opportunity to transform greater profits into investments and new jobs. Lastly, the Commission stresses that it is essential for the Member States to maintain their commitment to the guidelines for action which have been adopted and not to fall into the trap of an illusory relief in the light of the current recovery. Here Member States should continue their efforts to reduce public deficits and to achieve wage moderation. Greater attention should be paid to the most disadvantaged categories. Measures intended to give all young people the chance to receive education, training or work experience before starting employment should be the key priority in all Member States and stress should be laid on prevention of long-term unemployment and on equality of opportunities for men and women.