1997 annual economic Report. Growth, employment and convergence on the road of EMU.

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In its final report on the mutually beneficial effects of reinforced coordination of economic and structural policies, the Commission reviewed the trend for employment in the Union in terms of the creation and destruction of jobs. This historical review showed that the Member States had recorded an increase of 8 million jobs over the last 20 years, whilst the population of working age had increased by 28 million. This trend had been reflected both in a rise in the rate of unemployment and in a fall in the rate of employment. With 25 million new jobs, it was the services sector that had recorded the best growth in terms of job creation, but that growth had not prevented a net loss of 8 million jobs in total over the three major periods of recession (1975, 1981-83, 1992-1994), affecting above all manufacturing industry. The lack of dynamism on the market had not allowed the Member States to compensate for these losses by creating new jobs during growth phases, in particular as a result of unstable macro-economic policies. The report then presented economic statistics in order to enable a consideration of the impact of growth on employment. In general the data highlighted the importance of the Single Market which, on account of the intensification of trade and competition, had contributed to a 1.5% increase in GDP and created 900 000 jobs. The report also stressed that internal factors, such as consumption and investment, accounted for 92% of the Union's GDP and external demand 8%. The importance of these factors explained why the conventional defensive solutions of the Community markets had not helped to ensure sustainable employment growth. This insufficient growth in production and employment was reflected in the low investment in new capacities and the share of investment in the GDP had fallen from 24% in 1970 to 19% in 1996. In this respect, the report underlined the importance of increasing investment in order to maintain higher growth rates in the future. Lastly, the report conducted a survey of potential growth in the active population. The average rate of employment in the Union was around 60%, which was low in comparison with that of the United States or certain more successful Member States (+ 70%). The current rate reflected inadequate performance, but also indicated a double potential labour force consisting not only of 18 million unemployed, but also the additional reserve labour force (around 9 million) which could and should become active if jobs were available. In the next ten years, the demographic trend would lead to an increase in the active population of 3 million, but also to fundamental changes in the population pyramid with a loss of 9 million in the elderly and experienced generation. The existing and potential labour force permitted strong economic growth provided that appropriate macro-economic and labour market policies were pursued and the potential of the Single Market was fully exploited. According to this report, the facts confirmed the broad lines of economic policy and the conclusions for action defined in the report on employment for the Dublin European Council ('Employment and growth in Europe - the way forward') which stressed the importance of an integrated approach in which coordinated macro-economic and structural policies produced mutually beneficial effects and encouraged economic dynamism. The report noted in particular that the progress made in macro-economic policies would create conditions that would make it possible to enter a period of sustainable, strong and non-inflationary economic growth. It also underlined the importance of a more intensive modernisation of the markets in goods and services and a firm development of labour market policies. It stressed the need for a policy of optimisation of human resources in order to respond to the qualification requirements for the current working environment imposed by the new information technologies. The report stated, lastly, that the determinants of the factors of growth and employment would be analysed in the Commission's annual economic report (COM (97)27, COS0529) and the Employment in Europe report (COM (97)485, COS0472). That analysis would form the basis of the broad lines of economic policy and of the related report on employment for the Council.