Basic information

1997/2029(COS) COS - Procedure on a strategy paper (historic)	Procedure completed
1997 annual economic Report. Growth, employment and convergence on the road of EMU. **Subject** 5.10 Economic union	

Key players

European Parliament	**Committee responsible**	**Rapporteur**	**Appointed**
	ECON Economic and Monetary Affairs, Industrial Policy	RANDZIO-PLATH Christa (PSE)	22/01/1997
Council of the European Union			

Key events

Date	Event	Reference	Summary
12/02/1997	Non-legislative basic document published	COM(1997)0027	Summary
21/02/1997	Committee referral announced in Parliament		
20/03/1997	Vote in committee		Summary
20/03/1997	Committee report tabled for plenary	A4-0111/1997	
08/04/1997	Debate in Parliament		
09/04/1997	End of procedure in Parliament		
28/04/1997	Final act published in Official Journal		

Technical information

Procedure reference	1997/2029(COS)
Procedure type	COS - Procedure on a strategy paper (historic)
Procedure subtype	Commission strategy paper
Legal basis	Rules of Procedure EP 148
Stage reached in procedure	Procedure completed
Committee dossier	ECON/4/08654

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee report tabled for plenary, single reading		A4-0111/1997 OJ C 132 28.04.1997, p. 0006	20/03/1997	
Text adopted by Parliament, single reading		T4-0149/1997 OJ C 132 28.04.1997, p. 0068-0101	09/04/1997	Summary

European Commission

Document type	Reference	Date	Summary
Document attached to the procedure	CSE(1996)0008	04/12/1996	Summary
Non-legislative basic document	COM(1997)0027	12/02/1997	Summary

Other institutions and bodies

Institution/body	Document type	Reference	Date	Summary
EESC	Economic and Social Committee: opinion, report	CES0471/1997 OJ C 206 07.07.1997, p. 0104	24/04/1997	Summary

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

1997/2029(COS) - 09/04/1997 - Text adopted by Parliament, single reading

In adopting the report by Mrs Christa Randzio-Plath (PES, D) on the Commission's Annual Economic Report for 1997 - Growth, employment and convergence on the road to EMU, the European Parliament makes the point that the most pressing problem facing the Community is still unemployment. It does not regard the prospects for growth in EU as being sufficient to combat unemployment and calls on the Member States to take measures to restore consumer confidence and boost demand. Pointing to the rise in mass unemployment in most EU Member States, Parliament believes that the modest economic upturn forecast for 1997 will not, by itself, be sufficient to solve the problem of unemployment as a whole. It points out that stimulating growth cannot be the sole strand of a policy to cut unemployment. This type of recovery does not automatically coincide with higher standards of living and the limits to unsustainable growth must be taken into account. Parliament identifies the chief causes of unemployment as being: - too low a level of investment by private-sector business; - insufficient innovative activity; - a lack of effective coordination of fiscal and monetary policy at national and European level; - high real interest rates as a result of increasing volatility on the financial markets; - weak domestic demand and inadequate household demand; - a lack of creativity and willingness to take risks; - a lack of training and skills; - the lack of labour-market adaptation and the high level of tax and quasi-fiscal contributions; - financial speculation which is damaging to productive investment; - over-regulation. Parliament considers budget consolidation to be necessary but questions the Commission's assertion that its impact is likely to be offset by a re-balancing of the policy mix and an increase in confidence. It stresses that, as long as government expenditure does not rise, it is preferable to reduce the deficit through stronger economic growth rather than cuts in public spending in essential areas such as ecological conversion and education. Whilst budget consolidation is certainly necessary, Parliament regrets that the ratio of public investment to GDP has fallen in recent years from 3.5% to under 2.5%. It therefore calls for public investment of the type which brings adequate social and economic returns to be relaunched. To combat unemployment, Parliament calls for effforts to reduce it to be made an integral part of all policies and believes that the coordination of economic, structural, fiscal, monetary and income policy at EU level must be improved by setting up an EU-wide "form of economic government". It appeals in particular for every effort on the part of the Member States to promote employment to be encouraged and for an integrated employment strategy to be devised on the basis of macro-economic and structural reform policies. The Essen decisions and the Employment Pact must be implemented in full. Investment is needed in the transport, environment, energy and communications network infrastructures as well as in training and skills. Parliament calls for an extension of Community financial instruments via the EIB and for the introduction of Community bonds and it considers it absolutely essential to open up the venture capital and credit markets to SMEs, which are the main source of jobs in the Community. Research must also be encouraged, notably by means of tax concessions and easier access to investment. Parliament also stresses that the burden on labour (particularly unskilled labour) causes business to invest in capital rather than in human resources. That being so, it does not support the Commission's proposal for greater wage differentials between regions since they could result in even more relocations. Parliament points to exchange rate uncertainties as a brake on

investment and points out that they can only be removed with the introduction of economic and monetary union. It goes on to call for a reduction in real interest rates to facilitate private-sector investment. It welcomes the setting up of an employment and labour market committee and underlines the need to include a chapter on employment in the Treaty on European Union. It also proposes a series of other measures to encourage job-creation: - life-long training geared to changes in labour-market demand; - encouraging self-employment and the creation of small business by simplifying administrative and tax formalities; - reducing and/or reorganizing working hours; - supporting the development of new sources of jobs (environment, the arts and the home-care sector); - devising appropriate socio-economic indicators to monitor job-market trends. Parliament calls for a medium-term fiscal policy which takes into account the effects of cyclical changes whilst still being compatible with the convergence criteria. Finally, though Parliament condemns the use of fiscal policy for competitive ends within the Union, it calls for a strategy which takes account of the increasing globalization of the economy at the same time as avoiding social and environmental dumping.

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

1997/2029(COS) - 04/12/1996 - Document attached to the procedure

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.

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

1997/2029(COS) - 12/02/1997 - Non-legislative basic document

OBJECTIVE: This report assesses the Community's economic situation in 1996 and outlines the economic trends and prospects for 1997-1998. It concentrates in particular on the policies associated with growth, employment and convergence in the light of progress towards economic and monetary union (EMU). SUBSTANCE: According to this report substantial progress in preparation for EMU has been made in the Union. On the institutional front the Community has achieved substantial progress with preparations for the Euro. Following the set-back to economic growth in the second half of 1995 and in early 1996 the Community economy now appears to be back on a more favourable track: activity has recovered in all Member States and acceleration of growth in the Community in 1997. This trend will contribute to some reduction in unemployment although overall unemployment levels remain high (10.7% of the labour force in the 15 countries in 1996). With regard to macroeconomic policies the report states that in 1996 a large majority of the Member States took significant measures to reduce their budget deficits to 3% of GDP or below. The Commission considers that the efforts to improve the budgetary situation based on reduction of expenditure rather than higher taxes have had a significant impact on the fall in interest rates. These efforts should allow in the short term for investment to be relaunched on the basis of sound economic growth in 1997 and 1998. Unfortunately this growth is not accompanied by significant performance with regard to employment, which remains a major challenge for the Community. According to the report the unsatisfactory job performance is caused by macroeconomic obstacles. It stresses that the current investment rate would not allow growth of more than 2 1/4 % a year. The current level of unemployment requires a significantly higher growth rate. It therefore suggest a massive increase in investment in production which could give rise to a growth rate of about 3 to 3.5% which would be sufficient to

relaunch employment. While it may seem a priori that technological change and globalization of the economy are curbing employment, the report considers that these two factors are not the fundamental causes of current unemployment. On the contrary, it considers that it should be possible to use these two elements to improve growth and transform employment. To do this requires: - efficiently functioning goods and services markets allowing a rapid adjustment in prices (in this area action is still needed with regard to the liberalization of energy and telecom markets and competition), - greater investment in education and training of skilled and non-skilled labour. To return to a level of growth which will create jobs, the report puts forward several solutions: - conclusion of wage agreements between social partners which take much greater account of qualifications, regions and sectors, - reduction of non-wage labour costs, government revenue losses being compensated for by a stricter control of increases in overall government spending or increases in other taxes (e.g. environmental levies), - introduction of 'temporary entry-wages' for the low-skilled, youth or long-term unemployed, - more flexibility in working time arrangements tailored to the specific needs of companies and workers, with greater use of voluntary part-time work, - development of local employment initiatives. The organization of work must also be modernized, with increased geographical and professional mobility and productivity-related labour cost differentiation.

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

1997/2029(COS) - 24/04/1997 - Economic and Social Committee: opinion, report

The Committee endorsed the Commission analysis of the reasons for the inadequate growth rates and deterioration on the employment front recorded in the first half of the 1990s: inadequate increase in productive capacity, fiscal looseness in some Member States with regard to public expenditure and wage policy - contrary to the stability objectives, turbulence on the currency markets and devaluation of various currencies. Due to the rebalancing of the macroeconomic policy-mix there seemed to have been a turnaround in 1996. The Committee stressed that governments and economic and social representatives had a key role to play in boosting the economy and thus creating more jobs. They should continue to apply this macroeconomic policy-mix that would eventually, through stability, lead to easier job creation. The Community should tackle unemployment with the same determination with which it was pursuing monetary convergence. Consequently, the ‘broad guidelines of the economic policies of the Member States and of the Community’ would assume greater importance. A comprehensive economic policy was in fact needed at EU level in order to pursue the employment objective without damaging the substance of the European model and to create fair competition conditions.