Basic information

1998/2049(COS) COS - Procedure on a strategy paper (historic)	Procedure completed
Growth and employment in the framework of EMU: economic policy for broad guidelines for 1998 **Subject** 5.10.01 Convergence of economic policies, public deficit, interest rates	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
ECON Economic and Monetary Affairs, Industrial Policy	GASÒLIBA I BÖHM Carles-Alfred (ELDR)	27/11/1997

Committee for opinion	Rapporteur for opinion	Appointed
REGI Regional Policy		

Council of the European Union

Key events

Date	Event	Reference	Summary
25/02/1998	Non-legislative basic document published	COM(1998)0103	Summary
09/03/1998	Committee referral announced in Parliament		
15/04/1998	Vote in committee		Summary
15/04/1998	Committee report tabled for plenary	A4-0133/1998	
29/04/1998	Debate in Parliament		
30/04/1998	End of procedure in Parliament		
18/05/1998	Final act published in Official Journal		

Technical information

Procedure reference	1998/2049(COS)
Procedure type	COS - Procedure on a strategy paper (historic)
Procedure subtype	Commission strategy paper

Legal basis	Rules of Procedure EP 148 Rules of Procedure EP 050
Stage reached in procedure	Procedure completed
Committee dossier	ECON/4/09814

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee report tabled for plenary, single reading		A4-0133/1998 OJ C 152 18.05.1998, p. 0005	15/04/1998	
Text adopted by Parliament, single reading		T4-0244/1998 OJ C 152 18.05.1998, p. 0019-0072	30/04/1998	Summary

European Commission

Document type	Reference	Date	Summary
Non-legislative basic document	COM(1998)0103	25/02/1998	Summary

Other institutions and bodies

Institution/body	Document type	Reference	Date	Summary
EESC	Economic and Social Committee: opinion, report	CES0646/1998 OJ C 214 10.07.1998, p. 0104	29/04/1998	
CofR	Committee of the Regions: opinion	CDR0110/1998 OJ C 051 22.02.1999, p. 0063	18/11/1998	

Growth and employment in the framework of EMU: economic policy for broad guidelines for 1998

1998/2049(COS) - 30/04/1998 - Text adopted by Parliament, single reading

In adopting the report by Mr Carles-Alfred GASOLIBA I BÖHM (ELDR, E) on the Commission's annual economic report (1998), the European Parliament said that it was not in favour of a compulsory reduction in working hours throughout the Union, which would be contrary to the subsidiarity principle. Instead, it supported the position adopted by the Commission in its report, advocating maximum recourse to voluntary part-time working. Reductions in working hours must be decided at national or microeconomic level where they were justified. Parliament welcomed the adoption of a new format for the 1998 report, but called on the Commission to present a more detailed analysis of the salient aspects of the economic situation on the basis of a complete examination of the medium-term outlook (i.e. covering five years). It proposed that an analysis of possible scenarios be included in order to shed light on the risks and consider countermeasures to be taken if the central forecast were invalidated. It stated that the forecast in the report was not without risks: future movements in the US dollar, indirect impacts of the Asian crisis on the European economy, and possible stock market crises were all potential risk factors requiring greater consideration. Parliament endorsed the Commission's view that a stability-oriented policy should be designed to create new employment through economic growth; it recalled the importance of close coordination of Member States' macroeconomic policies and structural measures in the field of employment. A level of economic growth, sustained by public and private investments, which exceeded the level of growth in productivity might help to create new jobs and combat poverty. Certain obstacles to the growth of the economy and employment were due to inadequate investment, a low level of domestic demand, a lack of adaptability of human resources, over-regulation affecting businesses, and inadequate resources for research. Efforts to combat unemployment needed to be stepped up; budgetary discipline must not have the status of an absolute, as this could be counterproductive for economic activity. Similarly, wage restraint should not be too rigid. It was important that Member States should abide by Council resolutions on tax competition and that the emphasis should be on reducing taxation of labour and agreeing a minimum level of taxation of businesses in Europe. Further budgetary restructuring should be carried out primarily by reducing public

expenditure rather than raising taxes. Investment in human resources must be increased. The level of public and private investment in the Union was quite inadequate to improve the innovation capacity and the future of the Union. Policies to attain these ends should therefore be stepped up. Parliament was not in favour of creating employment by dramatically lowering wages in the low-skilled labour segment. This could lead to new poverty and threaten social cohesion in the Union. Rather, Parliament considered it necessary to reduce non-wage labour costs; such cuts could be compensated by other tax reforms without curbing social benefits. Parliament welcomed the Commission's proposals for a reduced rate of VAT on labour-intensive services. It called for further initiatives in the field of research and advanced technology and to assist SMEs. It called on the two sides of industry to examine closely the consequences of transparency of wages and costs between Member States and called on the Commission to study wage structures in the Member States with the aim of analysing the possible impact of the adoption of the euro on wages and jobs.

Growth and employment in the framework of EMU: economic policy for broad guidelines for 1998

1998/2049(COS) - 25/02/1998 - Non-legislative basic document

OBJECTIVE: This communication replaces the traditional annual economic report and for the first time (in view of the introduction of the euro) takes the form of general reflections on growth and employment in the framework of EMU. It also aims to prepare for the Broad Economic Policy Guidelines which will be submitted in June 1998. SUBSTANCE: Essentially, the report recommends pursuing a macroeconomic and structural policy concentrating on convergence and aiming to take advantage of the current phase of recovery. It concentrates on analysing the current situation and advocates measures such as pay moderation, more structural reforms and improving the operation of job markets. (1) Economic situation: although inflation rates and budget deficits have been strikingly reduced in recent years, the results in terms of growth and employment are disappointing. The cause is the lack of firmness in establishing appropriate economic policies. The Commission considers that the conditions are now right for sustainable, job-creating growth. Inflation has reached historically low levels and is controlled in almost all the Member States, and the profitability of investments has reached the level of the 1960s. However, there are still weaknesses in the area of internal demand. The other positive factors include interest rates (historically low) and signs of confidence in industry and consumers. The Commission stresses, however, that although the situation is improving, there must be no relaxation of effort. In the short term, monetary stability and market confidence must be preserved. In the medium term, the recovery must be translated into a process of strong and sustained growth. (2) The employment challenge: during the last 24 years the Community's performance in terms of increased productivity has been satisfactory (an average increase of 2% per year compared with 0.7% in the USA and 1.9% in Japan). However, this economic performance has not improved the rate of employment: there were 18 m unemployment people in the EU in 1997 (10.7% of the labour force) with an employment rate of 60% (74% in Japan and the USA). What is needed to increase this employment rate and reach the level of the 1960s (67% of the labour force) is: - greater the 'employability' of the labour force, in particular by raising their level of qualifications, - greater productivity by promoting technological development. (3) Beneficial effects of EMU: the strategy advocated by the Broad Economic Policy Guidelines and shared by all the Member States is based on three major factors: - a stability-oriented monetary policy, - sustained efforts to consolidate public finances, - nominal wage trends consistent with the price stability objective. Establishing EMU should reinforce this consensus as the euro should rule out exchange rate turbulence and establish an area of stability and low inflation which will encourage investment and thus employment. (4) Structural policies for growth and employment: to improve the functioning of the job market, the EU has developed a two-point strategy: coordinated application of the Broad Economic Policy Guidelines in the framework of EMU stability and gradual introduction of employment guidelines in each Member State. The Commission considers that a significant increase in the labour content of growth will be obtained by: - slowing down the process of labour by capital substitution; in this context, the wage distribution must be widened downwards; the report considers that to obtain a tangible result, a fall in the wage cost of low-skilled activities by about 20-30% must be envisaged together with an equivalent reduction in unemployment benefit (to avoid the 'poverty trap'); it is, however, difficult to apply this reduction in the EU (as was done in the USA) without concluding pragmatic selective agreements between the two sides of industry, including entry level wages for the long-term unemployed; it is also important to reduce non-labour costs: this reduction will not be truly effective unless it is targeted at specific categories of the working population at the bottom of the pay scale: young people and the long-term unemployed with few qualifications; this reduction should also be accompanied by effective education and training measures and be based on new forms of partnership in the private sector; the Commission therefore considers that steps should be taken to associate productivity with wage reduction, as a part of the normal process of collective bargaining and tax reform; - reduction in working time: the Commission considers that a pure and simple reduction in working time is not the answer; on the contrary, it may have a damaging effect on enterprises (in terms of productivity) and therefore on employment; however, a negotiated reduction of working time can have undeniable advantages; the report therefore suggests exploring the possibilities of a selective reduction of working time and also stresses the possible advantages of voluntary part-time working which would enable new forms of employment to be created.