Basic information

2004/2188(INI) INI - Own-initiative procedure	Procedure completed
Employment and productivity and their contribution to economic growth **Subject** 4.15 Employment policy, action to combat unemployment 5.05 Economic growth	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
EMPL Employment and Social Affairs	RAINYTÉ-BODARD Ona (ALDE)	06/10/2004

Committee for opinion	Rapporteur for opinion	Appointed
ECON Economic and Monetary Affairs	The committee decided not to give an opinion.	
ITRE Industry, Research and Energy	The committee decided not to give an opinion.	

Key events

Date	Event	Reference	Summary
28/05/2004	Non-legislative basic document published	SEC(2004)0690	Summary
18/11/2004	Committee referral announced in Parliament		
20/04/2005	Vote in committee		Summary
26/04/2005	Committee report tabled for plenary	A6-0109/2005	
09/06/2005	Decision by Parliament	T6-0240/2005	Summary
09/06/2005	Results of vote in Parliament		
09/06/2005	End of procedure in Parliament		

Technical information

Procedure reference	2004/2188(INI)

Procedure type	INI - Own-initiative procedure
Procedure subtype	Initiative
Legal basis	Rules of Procedure EP 55
Stage reached in procedure	Procedure completed
Committee dossier	EMPL/6/23987

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee report tabled for plenary, single reading		A6-0109/2005	26/04/2005	
Text adopted by Parliament, single reading		T6-0240/2005 OJ C 124 25.05.2006, p. 0423-0563 E	09/06/2005	Summary

European Commission

Document type	Reference	Date	Summary
Non-legislative basic document	SEC(2004)0690	28/05/2004	Summary

Employment and productivity and their contribution to economic growth

2004/2188(INI) - 09/06/2005 - Text adopted by Parliament, single reading

The European Parliament adopted a resolution based on the own-initiative report drafted by Ona JUKNEVICIENE (ALDE, LT) on employment and productivity and their contribution to economic growth. (Please see the summary of 20/04/2005.) It regretted that the Council no longer regards the Stability and Growth Pact as imperative for the improvement of conditions for economic growth and the creation of employment opportunities. It reaffirmed the validity of the strategic goals of the Lisbon strategy and stated that economic and monetary union and the Stability and Growth Pact will enhance the internal market and foster a non-inflationary, macro-economic environment with low interest rates. This will improve conditions for economic growth and the creation of employment opportunities and establishing a durable basis for social cohesion.

Parliament believed that a successful and sustainable economic and monetary union, a well-functioning internal market and high employment levels should not be exclusively addressed by structural reform of the Member States' social protection systems: structural reforms need to be comprehensive in scope, as opposed to limited or occasional measures, and address in a coherent manner the complex issue of incentives for job creation. It advocated reforms of tax and benefit systems to make work pay, active labour market policies to improve employability, the modernisation of work organisation including more flexible employment contract arrangements, efforts to encourage geographical and occupational labour mobility and efforts to make collective bargaining systems more employment-friendly.

In order to foster economic and employment strategies in the EU which take into account the objectives of social protection, more attention should be paid to improving market efficiency, technological innovation, training and education systems, competitiveness and productivity as prerequisites for growth and employment. Innovation and entrepreneurship are critical to growth, job creation and productivity.

Parliament also felt that more attention should be paid to simplifying Community and national legislation and advocated support for instruments and means of financing SMEs, such as venture capital. It recognised the important role of the European Investment Bank in creating employment through investment opportunities in Europe, and urged the EIB to step up its activities in this respect. Parliament went on to state that that a strengthened internal market combined with labour market reform and integrated capital markets would provide great potential for significant growth in European GDP. Therefore, the deepening of the internal market, especially in services, is essential.

Finally, Parliament drew attention to the need for improved labour mobility, in both geographical and occupational terms, as well as the need to encourage active ageing and discourage early retirement.

Employment and productivity and their contribution to economic growth

2004/2188(INI) - 28/05/2004 - Non-legislative basic document

PURPOSE : to present a Commission staff working paper on employment and productivity and their contribution to economic growth.

CONTENT : this paper is in response to the request of the Secretary-General, in the framework of the Industrial Policy Steering Group, for an '"analysis of the analyses', i.e. to go further than normally in identifying the differences between the analyses of the individual services and address particularly also the underlying factors for such differences". It is a joint product of DGs Economic and financial affairs, Employment and social affairs and Enterprise. It focuses on the relationship between the two components of economic growth: employment growth and productivity growth.

The paper shows that EU employment and productivity growth patterns have diverged sharply over recent years. Compared with the first half of the 1990s, the period 1996-2002 has witnessed a significant increase in the contribution of labour to EU GDP growth but unfortunately this has been offset by a reduction in the contribution from labour productivity.

The paper looks at possible explanations for the growing divergence in the underlying performances of the EU and US economies and at how the EU could perform better on both the productivity and the employment fronts. It also addresses the question of whether the problem lies with the basic policy framework or with a failure, on the part of the Member States, to enact the necessary reforms to turn rhetoric into reality.

The paper concludes by stating that both economic theory and the experience of EU Member States and the US suggest that there is no call for an exclusive focus on either employment growth or productivity growth. GDP per capita – a measure of standards of living – depends on both GDP per person employed and the employment rate. From a policy perspective, the key objective must be to raise productivity levels using all the available instruments to stimulate growth of total factor productivity, whilst at the same time encouraging the labour-intensive growth pattern over the medium term that is needed to move towards full employment. Pressing ahead with the necessary labour market reforms may entail a period of productivity growth below full potential, but this should not be regarded as a trade-off in any sense. A higher employment rate implies an unambiguous increase in GDP per capita with no negative implications for the long-run productivity growth of the existing workforce. Furthermore, progress on labour market reforms does nothing to impede efforts to stimulate investment and technical progress. Thus, there is no reason why policy makers cannot act on both fronts simultaneously.

The EU's policy framework is designed to do precisely this. Moreover, a small number of Member States, which tend to be the ones that are more advanced in the implementation of reforms, have performed strongly on both employment and productivity, equalling or even surpassing growth rates in the US. Timely and thorough implementation of reform measures would therefore appear to be the real Achilles' heel of the Lisbon strategy. This short note has shown that the reasons why Europe has fallen behind the US in productivity growth in recent years are complex, with part of the explanation undoubtedly due to the extent to which information and communication technologies have penetrated the respective economies and part due to the relatively labour-intensive pattern of growth in the EU since the mid-1990s. However, a large residual element is left unexplained which is almost certainly related to the more fundamental factors driving growth.

These factors include, to mention some of the most important, education and training, investment in R&D, transport and communications infrastructure, the entrepreneurial culture, workplace organisation, the efficiency of the public sector and the way in which markets - the labour market, financial markets and product markets - are functioning. The EU's comprehensive reform strategy - outlined in some detail in this paper - aims for improvements in precisely these areas.

Nevertheless, in moving forward over the coming months and years on the policy agenda laid out in this paper, governments will inevitably face hard policy choices as to the optimal path to follow in order to realise the specific Lisbon objectives. The fact that they can pursue both employment- and productivity-enhancing reforms does not remove the obligation on policy makers to set clear priorities and to identify the areas of most urgent action. Moreover, the policy making function itself will be further complicated by the ongoing public finance constraints which will undoubtedly apply. Hard choices will therefore have to be made in terms of new public spending commitments with regard to both the overall balance to be achieved between productivity- or employment-enhancing measures and to the weight to be attached to specific initiatives. In addition, given the inevitable pressures on new spending commitments, governments will increasingly have to question existing public programmes in order to elicit greater efficiencies and higher levels of overall performance.