

Opinion of the Economic and Social Committee on the "European Council on Employment" (Brussels, 1 october 1997)

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Opinion of the Economic and Social Committee on the “European Council on Employment”

(97/C 355/13)

In a letter from Mr Juncker dated 7 July 1997 the Committee was asked by the Council of the European Union to contribute to the preparation of the extraordinary meeting of the European Council to be held in Luxembourg in November.

At its meeting of 10 July 1997 the plenary session decided, in accordance with the provisions of the first paragraph of Rule 14 and the first paragraph of Rule 19 of its Rules of Procedure, to set up a sub-committee to prepare the Committee's work on the subject. The subcommittee drew up its draft opinion on 11 September 1997. The rapporteur was Mrs van den Burg and the co-rapporteurs were Mr Löw and Mr Pezzini.

At its 348th plenary session (meeting of 1 October 1997) the Economic and Social Committee adopted the following opinion by 97 votes to 24, with 19 abstentions.

1. Introduction

1.1. The European Council on Employment raises high expectations at a time when the EU and EEA are facing a range of complex political and socio-economic challenges:

- continuation of the process of peaceful European integration based on sustainable growth and economic competitiveness and the principles of social justice and economic and social cohesion which form the core of the European social model;
- enlargement of the European Union on the basis of these same principles while at the same time promoting economic and socio-cultural relations with all its neighbours and at global level;
- completion of a successful Economic and Monetary Union accompanied by significant progress towards a substantial reduction of unemployment and towards a labour market which satisfies people's aspiration to meaningful work as a basis for their full participation in society;
- completion of the Internal Market, accelerating the restructuring of the European economy in order to face the challenges of competitiveness, improvement of living and working conditions, maintenance of a high level of efficient public services in areas relevant to high productivity, performance and innovation.

1.2. The fight against unemployment is essential if these challenges are successfully to be met on the basis of EU citizens' expectations. The Economic and Social Committee therefore welcomes the decisions of the European Council of Amsterdam, which concluded the Intergovernmental Conference with three texts that may prove essential in activating the process of developing a European growth and employment strategy:

1.2.1. Firstly, an amended Article B of the TEU that clearly formulates a high level of employment as a major objective of the European Union, a similar formulation in Article 2 of the TEC, and an amended Article 3 of the TEC that adds “the promotion of coordination between employment policies of the Member States with a view to enhancing their effectiveness by developing a coordinated strategy for employment”.

1.2.2. Secondly, a new Employment Chapter which states clearly:

- that “Member States ... shall regard promoting employment as a matter of common concern and shall coordinate their action in this respect within the Council, ...” (Article 2.2),
- that cooperation between Member States shall be encouraged, supported and complemented by the Community (Article 3.1),

- that annual employment guidelines will be drawn up consistent with the broad economic guidelines pursuant to Article 103(2) (Article 4.2),
- that recommendations may be made by the Council (acting by qualified majority) to Member States on the basis of the annual examination of the implementation of employment policies by the Member States (Article 4.4), and not least important,
- that the Council “may adopt incentive measures designed to encourage cooperation between Member States and to support their action in the field of employment through initiatives aimed at developing exchanges of information and best practices, providing comparative analysis and advice as well as promoting innovative approaches and evaluating experiences, in particular by recourse to pilot projects” (Article 5).

1.2.3. Thirdly, a resolution on growth and employment, that closely connects economic and social policies and states that “we will need to strengthen the links between a successful and sustainable Economic and Monetary Union, a well-functioning internal market and employment. To that end, it should be a priority aim to develop a skilled, trained and adaptable workforce and to make labour markets responsive to economic change”⁽¹⁾. It clearly recognizes “the need to enhance the effectiveness (of the close coordination of the Member States” economic policies), and the need to broaden the content of this coordination, focusing in particular on policies for employment” (paragraph 2).

1.2.4. In particular, the Committee welcomes the link established between the employment guidelines and the economic guidelines in the Treaty, as well as the decision “to make the relevant provisions of this (employment) title immediately effective” (Presidency Conclusions).

1.2.5. The Committee welcomes the extension of its consultative role under the new employment title of the Amsterdam Treaty as regards guidelines and incentive measures, as well as the confirmation of its role in the social policy chapter of the Treaty on employment related policies (general measures and promotion of cooperation between Member States, fundamental social rights, measures to combat social exclusion, equality of opportunities between men and women). The Committee also welcomes the recognition of the role of the social partners under the new employment title.

1.3. The Committee has repeatedly underlined the gravity of the crisis caused by chronic unemployment⁽²⁾ and has called upon political, economic and social players at all levels - be they international, national, regional or local - to play their part and take effective action. It deplores the ineffectiveness of many previous measures and has emphasized the need for new and constructive ideas and the concrete implementation of the Delors» White Paper on «Growth, employment and competitiveness`, the Santer confidence pact, and the decision of the Essen European Council, taking into account measures set out in numerous Commission white and green papers and ongoing work of the EEA and OECD. It has called for all concerned to make the necessary commitment, because without concerted action there can be no major improvement⁽³⁾.

1.3.1. With respect to the new employment title, the Committee notes that an important step in this direction has been taken by involving not only the Council, the Parliament and the Commission, but also the social partners, the Economic and Social Committee and the Committee of the Regions, as well as attributing a reinforced status to the Employment (and Labour Market) Committee. The Economic and Social Committee welcomes the initiative of the President of the Council to involve all these players already in the preparation of the Employment Summit and suggests that effective cooperation, mutual information and coordination between these institutions and bodies be continued after the Summit meeting.

1.4. Now it is time to act, to develop new promising initiatives and implement decisions already taken in order to:

- coordinate macroeconomic, budgetary, fiscal and employment-creating policies;

- establish a better synergy between economic, monetary, social and employment policies;
- evaluate the employment impact of all EU policies (e.g. enlargement, external trade relations, competition, taxation, agriculture, environment structural policies) and adjust these policies accordingly;
- intensify, in accordance with the subsidiarity principle, the steps taken by Commission Presidents Delors and Santer to stimulate employment pacts and agreements at all levels involving the important social and economic players;
- profit from positive experiences made at national, regional, interregional and sectoral levels with employment orientated pacts and agreements.

2. General recommendations

2.1. Growth and employment policy coordination pact

2.1.1. The most significant message of the Amsterdam Council is that the coordinated European Union policies concerning the internal market and the economic and monetary union need to be complemented by a coordinated strategy for growth and employment. The challenge for the special Luxembourg Summit in November is to rough out such a common strategy, to commit the Member States to common objectives and instruments, and to decide to enter a process of convergence towards the objective of a high level of employment in the Union.

2.1.2. Such a strategy of course can build on what has already been devised: in between Delors» white paper and Santer»s confidence pact many ideas have been tabled and discussed; now is the moment to elaborate and execute them in a spirit of high urgency and real commitment.

2.1.3. The Committee urges the setting of clear targets, performance criteria, suitable timetables and monitoring mechanisms entailing national reports and evaluations. Quantitative criteria might be based on an average figure of the three best performing Member States and be supplemented by qualitative criteria. Ongoing work in the European Commission and Eurostat should provide for a reliable set of statistical indicators correctly illustrating real labour market participation.

2.1.4. In keeping with its earlier Opinion on the «Confidence Pact`, the Committee suggests that the Luxembourg Summit conclude a Growth and Employment Policy Coordination Pact, containing such objectives, on the basis of performance criteria and “a multi-annual plan backed up by specific measures and a binding timetable” (4), as well as instruments and monitoring mechanisms to which Member States commit themselves. Such commitment at European level should be supportive and complementary to the primary responsibilities of Member States at national level.

2.2. Coordinating Ecofin and social policies

2.2.1. As specified in the amended Treaty texts, the annual economic guidelines, that presently mainly focus on monetary and budgetary objectives, should be broadened to encompass a wider socio-economic spectrum in terms of growth and employment. The Resolution of the Amsterdam Council on Growth and Employment clearly intends that broadening. Close cooperation and coordination between the different policy-fields is imperative. Particularly the Ecofin and Social Council of Ministers, the respective directorates of the Commission, the Economic Policy Committee and the reinforced Employment Committee should closely cooperate in the design and elaboration of policies and guidelines

2.2.2. The Committee welcomes and encourages this approach, and recommends that the Luxembourg Summit be preceded by a joint meeting of the Ecofin and Social Councils, in preparation for the European Council meeting in November, in order jointly to discuss the multi-annual progress (“Essen”) reports of the Member States, which the Luxembourg Presidency has asked to be delivered earlier than usual as well as to

prepare the employment and broad economic guidelines.

2.2.3. In this context, the Committee proposes to develop a coherent and balanced procedure for consultation, decision-making and monitoring of the growth and employment strategy that takes full account of the contributions of all relevant players, and that should result in employment guidelines to be decided by the Council. It suggests that in the context of the Summit all players mentioned under the new employment title get together in order to coordinate their contributions to the follow-up of the Summit decisions.

2.2.4. In addition to the Committee's role under the new employment title to be consulted on guidelines and specific measures, it could organize broadly-based hearings of all relevant socio-economic representatives. It could also help monitor contributions from national, regional and interregional Economic and Social Councils and other similar bodies in Central and Eastern Europe and the Mediterranean. The Committee would refer in this context to its experiences in monitoring the completion of the single market (Single Market Observatory)⁽⁵⁾.

2.3. Major role for social partners and other relevant socio-economic agents

2.3.1. It is obvious that social partners have a major role to play in national policies for growth and employment. The development of wages is one of the most crucial factors for a stable monetary and macroeconomic policy. As wages are predominantly determined at decentralized level through collective agreements between employers» and workers» organizations that encompass broader issues, the commitment of these partners to common objectives and their contribution to macro-economic policies is of utmost importance. This has been recognized and emphasized in the Amsterdam Resolution. In several Member States recent national pacts⁽⁶⁾ demonstrate the commitment of organized employers and workers to go beyond their own specific interests in order to solve the unemployment problems. Territorial pacts have also shown that they can release a huge potential of creativity and are supported by the players at local and regional level. As the Committee has previously stressed, “the goal of the broad partnership which underlies the territorial pacts is to harness the readiness to help which exists at local level and all the local resources to an integrated strategy, thereby making it possible to achieve better coordination of measures to boost employment”⁽⁷⁾.

2.3.2. The Amsterdam Summit called upon the social partners to use their capacity to conclude collective agreements to play their role also at the European level. The success of the EMU and of building up a coordinated European macro-economic policy is largely dependent on their cooperation. With the recently concluded European Framework Agreement on Part-time Work, based on the procedures under the protocol of the Maastricht Agreement on Social Policy, the partners in the European social dialogue again proved to be able and willing to commit themselves to binding agreements with a positive impact on employment. Such agreements have also recently been concluded at sectoral level, for example in the agricultural sector and cleaning sector⁽⁸⁾.

2.3.3. The Committee welcomes the role that the Amsterdam European Council has attributed to the social partners and the call upon them to “bear in mind in their discussion the need to strike a balance between labour market adaptability and social security, in order to enhance employability.” It urges the Commission to further develop and support the social dialogue at European level including at sectoral level in so far as Community policies have a direct impact on the future development of these sectors. It should clearly position the social partners in the procedures for implementation of the European growth and employment strategy to be developed. The improvement of the social dialogue in sectors and branches where SMEs are predominant, and the involvement of SME organizations at the European level, is important since they play a major role in employment creation.

2.3.4. Experience in the Member States has demonstrated the importance of involving all relevant socio-economic agents in the development of employment strategies at different levels. New ideas, based on the experiences for example of social action groups, women's organizations, youth organizations, as in the Irish “Partnership 2000” Agreement on Inclusion, Employment and Competitiveness, as well as results of dialogue between producers and consumers, industry and environmental organizations, could be fed into the

process of defining relevant initiatives and measures in the field of employment. The need for “social participation” in generating a new “sustainable development” model was already highlighted in the Delors White Paper⁽⁹⁾. The Committee has particularly pointed to the importance of involving socio-economic organizations and public administrations in promoting local employment initiatives⁽¹⁰⁾. It welcomes the Amsterdam European Council’s call upon “all the social and economic agents ... to face fully their responsibilities within their respective sphere of activity”⁽¹¹⁾.

2.4. Sectoral growth and employment strategies

2.4.1. Jobs are not created by political decree, but in enterprises, large and small. A proper dialogue between management and labour at enterprise level is conducive to balanced decision-making as regards job continuity, job creation and job opportunities for particular job seekers. European Works Councils may play a supportive role in enterprises operating at transnational level, provided they are properly informed and timely consulted. At local level, social partners are involved in territorial pacts and employment initiatives together with public authorities and socio-economic groups involved with the reintegration of the unemployed and in promoting a new development model.

2.4.2. At least as important - but remarkably underemphasized - with respect to concrete employment policies, is the level of sectors and branches of industry. Pre-eminently at sector and branch level, both sides of industry should come together and develop - in conjunction with the competent authority - effective framework strategies that may be linked to collective agreements on wages, working time and flexibility. For some of these sectors and branches the European level is of increasing importance, because of the transnational character of production and markets, and/or because of the direct influence of European policies and regulations on their activities. However, in too many important sectors the dialogue at European level is non-existent or underdeveloped and a joint effort together with the Commission services to devise such policies is lacking. The Committee urges the Commission to stimulate the development of focused, specific sector and branch framework strategies for growth and employment, entailing dedicated cooperation and commitment from the actors involved from both sides of industry.

2.4.3. In the case of sectors operating at international level, this might involve coordinated European measures to make use of economies of scale and to prevent the sort of competition between Member States that destroys jobs, and in the end weakens the European position on the global market. The European Commission may play a role in stimulating R & D, innovation, new technologies and - most importantly - human resource development, in the knowledge that a future-orientated growth strategy will be largely dependent on a qualified, motivated workforce⁽¹²⁾.

2.4.4. Locally operating sectors, not competing across borders and often consisting of SMEs and micro-businesses with a high job potential for the numerous low-skilled unemployed workforce (for example in the field of personal services), are also confronted with particular effects of European policies and regulations. These policies, if not properly evaluated, may be counterproductive to job creation (See point 3.6 for example) The Committee therefore welcomes the setting up, as a result of Amsterdam, of the special SME Task Force, and hopes that it will pay attention to such possible counter-productive policies and to the human resources and industrial relations aspects of improving growth and the job potential of SMEs. The Economic and Social Committee, for its part, could organize a hearing for actors in these sectors to examine barriers to development and to propose measures for improvement.

2.4.5. The public sector should also be mentioned here: being constrained by the budgetary convergence criteria of the EMU, the employment potential and the qualitative effects of a good functioning public sector should not be neglected. A social dialogue with respect to employment trends, at national and at European level, is vital for the public sector and its various parts.

2.4.6. The Committee recommends that the European Council charge the Commission to work out - in close cooperation with the main socio-economic partners - sectoral growth and employment strategies. In the setting up of these plans, pilot projects could play an important role; they may be started immediately in specific sectors.

2.5. Benchmarking and best practices

2.5.1. In recent discussions and Commission documents ⁽¹³⁾ benchmarking has been promoted as an effective means for improving the competitiveness and performance of European industry. Benchmarking also has great potential as a method for improving employment performance.

2.5.2. The Committee recommends that benchmarking procedures and corresponding pilot projects, both in sector policy and in particular policy fields, be incorporated in the coordinated growth and employment strategy to be developed at the Luxembourg Summit and in the future employment guidelines. Transferability of best practices respectful of different national traditions should involve industrial culture, work ethics and vocational training and life-long adaptation of skills. European partnerships, especially targeting young people, could be particularly useful.

2.6. Employment impact check

2.6.1. Employment impact should be an issue of concern with each and every policy decision of the European Union, as is stated in Article 3.2 of the new employment chapter ⁽¹⁴⁾. In addition to focused and directed specific measures to be taken in the framework of a strategy for growth and employment, awareness of the employment effects of all other policies and activities should feature prominently in the final decision-making.

2.6.2. The Committee suggests that the Commission include in each proposal for decision at European level an “Employment Impact Check” that informs the decision-makers about the direct and indirect job effects of the proposed measures, so that they can take these into consideration when making decisions. The Committee itself intends to include such a check as a standing paragraph in all its opinions from now on, where appropriate.

2.7. Financing of European growth and employment initiatives

2.7.1. A coordinated European employment strategy does not primarily involve creating new European funds. The Amsterdam Council has been quite clear about that. Nevertheless Article 5 of the employment chapter offers a basis for financing incentive measures, be they restricted to pilot projects and modest initiatives. It seems at least as important to refocus and redirect existing EU budgets towards the creation of growth and employment.

2.7.2. The Committee recommends re-evaluation of the EU budget with a view to stimulation of growth and employment, as has been proposed already with respect to the Structural Funds. Preferential treatment of initiatives focused on employment creation, and more room for Commission and Parliament to transfer unspent allocations of other budget lines to growth and employment initiatives are also to be recommended.

3. Specific fields for action

The Growth and Employment Policy Coordination Pact, proposed in chapter 2, should contain both procedural agreements and decisions for the short term to be immediately implemented. Through benchmarking procedures and monitoring in the medium term, new decisions may be prepared requiring urgent action. The Luxembourg Summit must lay the basis for such prompt and adequate decision-making.

The Economic and Social Committee recommends that the following fields for action be considered, referring to some of its former opinions and ongoing work ⁽¹⁵⁾.

3.1. Macro-economic framework

3.1.1. The macro-economic benchmarks of the Delors’ White Paper on “Growth, Competitiveness and Employment” (December 1993), endorsed by the Committee, should be reaffirmed and updated. The white

paper stressed the importance of maintaining overall economic growth of 3 to 3,5% per annum as the essential setting for a sustained reduction of unemployment. To sustain such growth rates, and to create the capital base for the new workplaces required, a gradual increase in the investment share of EU GDP, from about 19% to 23-24% was needed. Such an outcome would make possible employment growth of about 1,5% per year, which, allowing for demographic factors and changes in labour force participation, would correspond to reductions of unemployment of about 1% per year. All these targets should now be updated from the 1995-2000 period envisaged in the white paper to the period from now until 2002.

3.1.2. It is imperative that those responsible for the different components of macro-economic policy behave in a mutually consistent manner, if the European economy is to achieve and sustain the growth rates aimed at in the white paper. The Growth and Employment Policy Coordination Pact that the Committee proposes in point 2.1 of this opinion, should put into operation the Amsterdam mandate of ensuring a greater employment focus on economic policy coordination via a close relationship between the broad economic policy guidelines to be issued in the first months of 1998, and the employment guidelines that will be discussed already this Autumn. It is of utmost importance that a fully integrated approach be taken, comprising macro-economic, structural and labour market policies.

3.1.3. In the future context of EMU, an ideal policy mix requires an optimal interplay between the social partners who are responsible for a sound wage-development, the budgetary authorities that committed themselves to the Stability and Growth Pact, and the European Central Bank that will decide about monetary policy. Thus, monetary policy should not only focus on price stability ⁽¹⁶⁾, but also support the general economic objectives of the Community as defined in Article 2, including “sustainable and non-inflationary growth respecting the environment (...) a high level of employment and of social protection”. The European Central Bank is to take the revised title of the Growth and Stability Pact seriously, and should adopt an approach to monetary policy that does not exclusively focus on price stability.

3.1.4. In addition to an improved growth orientated macroeconomic policy, measures should be taken to enhance the employment intensity of growth. The Delors White Paper and the conclusions of the Essen European Council of December 1994 stress the importance of such measures, including, for instance, the stimulation of job-creation in “new” labour-intensive activities, such as personal services (“services de proximité”). The Committee expects the Joint Report of the Commission, based on the Multiannual Progress Reports and on the answers of Member States to EU President Juncker’s invitation, to present successful policies, as well as proposals for their promotion and possible accompanying measures in a broader European context.

3.1.5. This macro-economic content of the Growth and Employment Policy Coordination Pact should be complemented by specific labour market objectives and policies with respect to young job-seekers, long term unemployed and categories of jobseekers with a weak position on the labour market. For example, targets could be set, with corresponding budgetary allocations where necessary, for the integration of school leavers in the labour market within a given time span (see point 3.4), for the reduction of long-term unemployment and for the introduction of job-rotation schemes such as educational and parental leave arrangements with replacement opportunities.

3.2. Stimulation of investments

3.2.1. The macro-economic policy mix, described in 3.1 should lead to the increase in investments that the White Paper targeted. A higher investment rate should be further promoted by specific policies and incentive measures. Benchmarking and evaluation of best practices at European level could also help support national policies in this field.

3.2.2. In the European context, valuable instruments are available through the activities of the European Investment Bank and the European Investment Fund. The Amsterdam Summit called on the EIB to step up its activities in areas such as large infrastructure projects, the financing of technology innovation through SMEs and in the new fields of education, health and urban environment. Investment in these labour intensive areas can contribute considerably to job creation. The Committee welcomes this extension of

activities and the EIB's increasing support for Private Public Partnerships (PPPs) initiatives, mobilizing private capital for financing infrastructure.

3.2.3. In keeping with earlier opinions ⁽¹⁷⁾, the Committee particularly welcomes the active approach that the EIB takes with respect to SMEs. There exists in many SMEs and micro-businesses a potential for growth on the European and international markets which has not - or hardly - been exploited so far, for lack of adequate funds and of available skilled human resources. The EIB has drawn up its «Amsterdam Special Action Programme» which includes a special window designed to offer new risk capital instruments for technology related and high growth SMEs. In this context the European Investment Fund and the EIB are to create a new European Technology Facility to provide venture capital for SMEs. The stimulation and starting up of new business, particularly micro-businesses, in future-oriented activities and the attraction of private capital in public-private partnerships should be promoted. If necessary, the mandate of the EIB/EIF should be broadened and/or adapted to maximize their budgetary and operational room for manoeuvre to contribute to job-creation. A more general European enterprise policy aimed at «awakening» this growth potential could include: a European network of risk-capital companies, opening of stock-markets to SMEs, support instrument for joint ventures within the European Union, orienting Community R& D programmes in their favour, decompartmentalization of national networks for assessing and disseminating innovations.

3.2.4. The role of the Structural Funds in promoting employment was a key theme in the context of the Santer Confidence Pact. The Committee has already argued for “a root-and-branch revamping» of the funds in favour of “lasting, additional jobs” ⁽¹⁸⁾. It therefore welcomes the call to reinforce and redirect the contribution of the funds to the promotion of employment and job-creation, and recommends a closer evaluation of their employment impact. The Luxembourg Summit should receive a progress report which could also be debated more widely.

3.3. Stimulation of pacts between and with social partners

3.3.1. Pacts at national, regional and sectoral (or branch) level between the social partners and public authorities within their respective terms of reference should be stimulated. In such pacts commitments from authorities on taxation, legislation, education etc. may be coupled with commitments by the social partners on wage-moderation, reduction and reorganization of working time, reconciling work and family responsibilities, training, and flexibility and security issues such as the re-regulation of atypical work, temporary work, termination of employment, and the corresponding revision of social security and pension systems.

3.3.2. The particular emphasis that the Luxembourg presidency has placed on this interplay with the social partners should also lead to incentives (for example Commission-subsidized pilot projects), benchmarking procedures and a further strengthening of the social dialogue at European level, with the full involvement of all relevant parties, both inter-sectoral and at sector and branch level.

3.4. Active labour market policies

3.4.1. The approach of the Delors white paper and the Essen Summit to shift emphasis from passive income-replacing policies to active labour market policies stimulating labour market participation should be continued vigorously. The Committee welcomes the endorsement given to this approach at the Amsterdam European Council, and expects progress on this in the joint report soon to be published by the Commission. The Essen procedure that already contains the basis for benchmarking, should be broadened and enhanced by focusing on clear objectives for the short and medium-term and on specific targets and specific target groups.

3.4.2. In line with the Delors White Paper and the decision of the Madrid Summit ⁽¹⁹⁾ to ensure all young people proper access to a job (through training and work experience schemes), the objective of a European wide guarantee for all young people, within one year of finishing school, to have access to a job, work experience or initial or further training would be an appealing and promising commitment.

3.5. Education and training

3.5.1. As knowledge and technology are crucial factors for growth and competitiveness, education and training for the workforce is of utmost importance.

3.5.2. Sharper quantitative and qualitative targets should be set, through benchmarking. As regards the content and level of education it is important that continuous adaptation be made to new demands, that general education be better focused on employability, and that lifelong learning be stimulated.

3.5.3. Exchange programmes (including cross border schemes) are recommended, broadening the experience of young students and trainees with respect to cultures and styles of management, and specific incentives and training for entrepreneurship.

3.5.4. Higher targets should be accompanied by appropriate financial investments. A public spending performance criterion with respect to education and training and a particular norm for the continuous training and education of adults, could play an incentive role.

3.5.5. The Committee is concerned that there may be tension between on the one hand achieving such performance targets, and on the other constraints on public finances linked, inter alia, to the convergence criteria for achieving EMU. The Committee therefore calls upon the budgetary authorities to give high priority to education and training and, in line with the conclusions of the Florence European Summit, to make “a selective restructuring of expenditure that encourages intangible investment in human capital ... giving priority to active policies for employment ...”.

3.6. Taxation policy

3.6.1. European taxation policy should be re-assessed from the perspective of employment impact. The 1996 Commission reports on taxation in the European Union ⁽²⁰⁾ have started to analyse the developments in the 15 EU Member States, the results showing that labour has been increasingly heavily taxed while the tax burden on the other factors of production (capital) has fallen overall. Both the Commission and the Committee ⁽²¹⁾ urge tax relief on labour costs. A target could be set here, as proposed by the White Paper, to shift the tax burden from labour to other sources of taxation at the rate of at least 1% a year of GDP. These alternative levies should not be counter-productive to the employment objective and would consist particularly of charges on scarce natural resources and on energy - in order to reinforce environmental protection - and, where appropriate, of taxes on consumption and investment income⁽²²⁾.

3.6.2. A coordinated European strategy is called for in order to reduce non-wage labour costs. Further coordination at EU/EEA level, proposed by the Committee, includes agreements on harmonization of rates of corporation tax and the tax base⁽²³⁾. The recent informal Ecofin Council (13 September) charged Commissioner Monti and his high level expert group ⁽²⁴⁾ to submit to the October Ecofin Council a Code of Conduct on, inter alia, corporate taxation, with the view to limiting harmful fiscal competition between Member States in this field, as well as to continue the work on proposals for establishing balanced development of taxation in the Member States which is not detrimental to employment.

3.6.3. The Committee urges the Employment Summit to pay major attention to taxation and to give an overall commitment to more coordination and harmonization of tax policies, based on a new mandate for the Monti experts' group to draft proposals from the perspective of growth and employment.

3.6.4. The Committee recommends that in the field of VAT rates, where harmonization has already taken place, more room should be allowed for a differentiation in favour of low or zero tariffs for products and services that are labour intensive and offer major opportunities for job creation. A short-term decision of the Luxembourg Summit could be to allow Member States this room for manoeuvre. In the ongoing debate about the final European VAT regime an overall reassessment from an employment perspective is equally necessary ⁽²⁵⁾.

Brussels, 1 October 1997.

The President of the Economic and Social Committee

Tom JENKINS

- (1) OJ C 236, 2. 8. 1997, p. 3.
- (2) Between 1975 and 1997, unemployment in the EU rose from 5 to 18 million, from 3% to 11%. Rises in female employment have not compensated the loss of male employment. 20% of young people are unemployed. Mass unemployment and demographic trends are leading to an alarming and increasingly unsustainable dependency ratio between the retired and active workforce.
- (3) ESC Opinion on “Action for employment in Europe: a confidence pact”, OJ C 56, 24. 2. 1997, point 1.2, 1.3, 2.5, 2.6.
- (4) See ESC Opinion on the “Confidence Pact”, OJ C 56, 24. 2. 1997, op. cit, point 1.4.
- (5) The main thrust of the SMO’s work falls under the following three headings:
 - Creating an information network, collecting information from members, their organizations, and all other “users” of the Single Market, and passing this information on to the relevant decision-makers within the European Union.
 - Drawing up investigative reports on selected topics, normally by organizing hearings, with the participation of the players directly involved in the problems treated.
 - Drawing up opinions on the Commission’s yearly or semestrial status reports on the Single Market.
- (6) Such pacts exist for example in Italy, Spain, Ireland, Netherlands, Portugal, etc. and will be summarized in a follow-up ESC paper to this opinion.
- (7) OJ C 56, 24. 2. 1997, op. cit. point 4.6.8-1.
- (8) EFA/ETUC - GEOPA/COPA Agreement of 24. 7. 1997. Memorandum of SENI - Eurofiet on new sources of employment of 21. 10. 1996.
- (9) Chapter 10.
- (10) OJ C 56, 24. 2. 1997, op cit, point 1.14.
- (11) Resolution, the European Council on growth and employment, Amsterdam 16 June 1997, OJ C 236, 2. 8. 1997, p. 3, point I, last paragraph.
- (12) The various Competitiveness Advisory Group reports (“Ciampi”) and the recent “Green Paper: partnership for a new organization of work” (COM (97) 128 final) are examples.
- (13) See for instance COM (96) 463 final and COM (97) 153 final and the corresponding ESC opinions (OJ C 296, 29. 9. 1997).
- (14) “The objective of a high level of employment shall be taken into consideration in the formulation and implementation of Community policies and activities.”
- (15) OJ C 287, 22. 9. 1997 and ongoing work on social policy and economic performance.
- (16) As required in Article 105 of the Treaty.
- (17) For example the ESC Opinion on the “Confidence Pact”, OJ C 56, 24. 2. 1997, op. cit, point 4.7.
- (18) Ibid. point 1.13-4.6.
- (19) English version not available at time of print.
- (20) Taxation in the European Union (SEC (96) 487 final) and Report on the development of tax systems (COM (96) 546 final).
- (21) OJ C 296, 29. 9. 1997.
- (22) White Paper, Chapter 9, page 153.
- (23) At the informal Ecofin Council in Verona on April 13, 1996, finance ministers agreed on a so-called High Level Group to be set up and coordinated by the Commission dealing with the issues raised in the Commission paper Taxation in the European Union (SEC (96) 487 final).