

Communication from the Commission: European Pact of Confidence for Employment (5 June 1996)

Caption: On 5 June 1996, the European Commission publishes a communication that defines the framework and objectives of the European Pact of Confidence for Employment, in particular regarding the commitments of the social partners and public authorities to combat unemployment.

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Communication from the Commission: European Pact of Confidence for Employment (5 June 1996)

The European Commission today adopted a communication setting out the framework and objectives of the European Pact of Confidence for Employment, the idea of which was launched by Commission President, Jacques Santer, on 31 January last. This communication, which is intended for the Florence European Council, takes into account the views canvassed by Mr Santer during his tour of the capitals and at the round table of social partners organized by the Commission on 28 and 29 April. The object of the pact is to launch a collective movement involving the public authorities and the social partners and setting out the commitments of each side in a comprehensive and coordinated strategy. This strategy encompasses the macroeconomic framework, the internal market, employment systems and European structural policies. "Faced with the terrible unemployment statistics, the greatest danger is to lack the courage to do anything at all," stated Jacques Santer when presenting the pact. "The Union really must treat employment as a matter of common interest."

The concept

The European Pact of Confidence for Employment proposed by the Commission flows from the finding that the strategy contained in the Commission's 1993 White Paper on Growth, Competitiveness and Employment is the right one, but that there is scope for improvement in its implementation. The Pact accordingly sets three objectives: mobilize all the actors in a comprehensive strategy for employment, make better use of the European multiplier effect, incorporate the fight against unemployment in a medium and long-term view of society, which must also be a coherent, all-embracing view.

The Commission believes that one-off measures, however laudable in themselves, are ineffectual or socially unacceptable. The people are looking to their governments to anticipate the changes which are heralding tomorrow's society. In this context, Europe has some valuable assets, but the potential of the integration process has not yet been used to optimum effect. This is true for the macroeconomic environment, the internal market, employment systems and European structural policies, the four areas constituting the framework in which the Commission's proposed pact of confidence will apply.

Engendering a propitious macroeconomic climate

Growth is essential for job creation. But not just any kind of growth. Sustainable growth based on monetary stability and sound financial policies is what is needed. In this respect the single currency is the future generations' best friend. There is a broad consensus today between political circles and social partners on the path to be followed. We must stay on course. But at the same time the Commission believes that we need to explore a number of avenues for improving and strengthening the strategy. This includes continuing and stepping up the budgetary consolidation efforts. In this connection, spending cuts are preferable to tax increases and wherever possible passive expenditure in the form of unemployment benefits should be converted into positive measures (see Annex 1).

Harnessing the full potential of the internal market

The process of building the internal market is still incomplete or uneven. Too many of the building sites have been open for too long. There are still too many obstacles of all kinds to business operations. And the benefits accruing from the single market are not distributed evenly. SMEs have more difficulty exploiting its full potential than major businesses. And it must not be forgotten that liberalization is not an end in itself but a means towards increased cooperation and prosperity in Europe. This is why the Commission lays emphasis on the idea of universal service and general economic interest.

The full potential of the single market must now be harnessed. The time is ripe for completing the task which began with the Single European Act. The Commission is therefore proposing to move on four fronts: complete the internal market and implement it more effectively; enhance the overall competitive environment in Europe; help small and medium-sized enterprises; open up wider access to the world market.

In particular the Commission urges that three particularly important measures which have been held up for years be adopted by the end of 1996: the European company statute, the legal framework for biotechnology inventions; and the internal market in electricity. It would also like to receive undertakings from all the Member States concerned that they will lay bills before their Parliaments by the end of 1996 for the transposal of directives on public procurement, investment services, insurance, intellectual property and company law. As regards the competitive environment in Europe, the Commission believes that a decision must be taken once and for all on its proposals for providing additional financing for the trans-European networks. Tens of billions of ecus are given each year throughout the Union in the form of state aids, most going to large companies. The Commission thinks that it is time to take a very close look at the effect on employment of current State aids policies (see Annex 2).

Speeding up the reform of employment systems

The common framework for the structural reforms of the labour market was outlined in the White Paper on Growth, Competitiveness and Employment and adopted in the form of five action priorities by the Essen European Council. A procedure for monitoring the implementation of these five priorities was also adopted through multiannual national programmes.

This procedure builds a bridge between overall macroeconomic coordination and employment and unemployment prospects. In the Confidence Pact the Commission proposes that this monitoring procedure should be reinforced by Council and Commission recommendations which could inspire, for instance, the implementation of the Structural Funds. The Commission also believes that the monitoring procedure should be definitively incorporated in the Union institutions by the Intergovernmental Conference.

Analysis of the Member States' multiannual programmes prompts the Commission to set two objectives: activate national employment policies; open up the major projects for the future of employment. To activate the national employment policies, the Commission recommends reforming the administrative systems, encouraging local mobilization, promoting the employability of young people, and improving the integration of tax and social security systems. The major projects on the future of work considered by the Pact concern new forms of work organization and education/training as keys to the door of employment (see Annex 3).

European structural policies in the service of employment

European structural policies must be directed as a matter of priority towards employment. Three quarters of the amounts initially programmed for these policies over the period 1994-99 (ECU 170 billion) still have to be committed by the Member States and regions. There is thus still a great deal of room for manoeuvre. It is for the Member States, the regions, local authorities and economic and social partners to use this margin of manoeuvre to enhance the impact on employment of structural policies.

For its part the Commission would like the Member States to undertake to devote to employment the ECU 5.5 billion available for the period 1996-99 as a result of application of the deflator to all the structural policy programmes and objectives. It also proposes allocating the ECU 8 billion available for objective 2 programming over the period 1997-99 to conversion operations which will preserve existing jobs or create new ones in the regions concerned (see Annex 4).

Annex 1

A propitious macro-economic climate

- stay on course for a stable and sound macro-economic policy (public authorities and social partners)
- give better explanations of the beneficial impact of EMU on a macro-economic strategy propitious for employment (Community institutions and Member States)
- accentuate the budgetary consolidation effort in compliance with the following recommendations:

- * prefer spending cuts to tax increases
- * preserve expenditure on investment in human capital, innovation and infrastructure
- * reorient passive spending (unemployment compensation) towards active measures
- * shift the balance of taxation in favour of labour

- update and reinforce Member States' convergence programmes
- reinforce the multilateral surveillance procedure (Commission and Council)
- pursue an incomes policy conducive to competitiveness and employment (social partners)

Annex 2

Harnessing the potential of the internal market

Completing and implementing the internal market

- * adopt a priority package of three measures by the end of 1996 (European company statute, biotechnology inventions and electricity) (Council and Parliament)
- * secure an undertaking from the Member States that by the end of 1996 they will lay before their parliaments bills to incorporate into national law the measures adopted pursuant to the White Paper
- * draw up a White Paper on markets in services (Commission)
- * simplify legislation (the SLIM initiative)
- * remove the remaining obstacles to the free movement of individuals and workers (the Community institutions and the Member States)
- * adopt guidelines by the end of 1996 on the basis of a Commission reflection paper on taxation (European Council)

Enhancing the competitive environment in Europe

- * regulate the question of supplementary financing for TENs (Council and Parliament)
- * make proper use of the Task Forces on Research and Industry (institutions and Council)
- * draw up a plan of action to encourage further innovation (Commission)
- * adopt a clear regulatory framework for the Information Society (Community institutions)

Helping firms to take advantage of the internal market

- * adopt the new SME action plan by the end of 1996 (Council)
- * examine how best state aids policies can, while ensuring a level playing field, contribute to the creation of sustainable employment (Community institutions and Member States)

Opening up further access to world markets

- * strengthen the WTO and implement its disciplines (Council and Commission)
- * wage war on non-tariff barriers (Council and Commission)
- * step up action to combat intellectual piracy (Commission)
- * adjust the common commercial policy to fit in which changing patterns of international trade (Intergovernmental Conference)

Annex 3

Speeding up the reform of employment systems

- strengthen the monitoring procedure and institutionalize it at the IGC

activate national employment systems

reform of national employment administration systems (Member States)

- simplify recruitment and company-formation support schemes: one-stop shops and re-employment vouchers

- personalized support for job-seekers by placement services

mobilization of local actors (Commission, Member States, local authorities)

- decentralize employment systems
- promote local initiatives for development and employment

employability of young people

- joint initiative by social partners on integration of young people (social partners)
- development of schemes based on Youthstart and Leonardo (Commission, Member States)

greater coherence between direct taxation and replacement income

- debate and common policy on the future of social protection (institutions, Member States, social partners)

major projects on the future of work

new forms of work organization

- commitment by social partners to establishing a Europe contractual framework for organization of work and flexibility (social partners)

- structured debate on organization of work and working time (institutions)

- Green Paper on social and societal aspects of information society (Commission)

education and training as keys to the door of employment

- proposal on lifelong access to and validation of skills
- development by social partners of a reference framework for access to skills (social partners)
- action plan on learning in the Information Society (Commission)
- development of an Erasmus apprenticeship scheme (Commission)
- development of a system of European articles of apprenticeship (Commission, Council, social partners)

Annex 4

European Structural Policies in the service of employment

Increasing the employment impact of structural policies using the financial margin for manoeuvre

- Commitment by Member States to allocate the additional resources provided by the deflator effect (ECU 5.5 billion) to special support for employment

- Commitment by Member States to give priority to employment in allocating the new programmable resources (ECU 8 billion) for objective 2 for 1997-99 (industrial regions undergoing conversion); the Commission will decide on new programmes on that basis

- July 1996: commitment by Member States to a mid-term review of objective 1, 3, 4 and 5b structural action programmes in the light of an assessment of their employment impact; the decision on the changes to the programmes to be taken early in 1997; the Commission will decide on changes to the programmes on the

basis of the new employment impact

Selecting priorities in the service of employment

- special consideration for innovatory measures for SMEs and stronger partnership between the Structural Funds and the EIB
- more thorough anticipation of industrial change and changing work patterns, with priority for the most vulnerable categories and innovatory measures
- promote local initiatives for development and employment

The Commission will be particularly attentive to ensuring that these priorities are respected and that cooperation is established with the EIB in the new or revised programmes.

Promoting territorial pacts

- Political go-ahead for pacts at the appropriate territorial level following a process of selection in each Member State of a significant number of pilot towns or regions prepared to take part in them; confirmation by the Dublin European Council of first territorial pacts presented by the Commission
- Involvement of the Committee of the Regions in the territorial pacts approach