

## Press conference given Jacques Santer on the preparation of the Special Council on Employment (Brussels, 12 November 1997)

**Source:** RAPID. The Press and Communication Service of the European Commission. [ON-LINE]. [Brussels]: European Commission, [s.d.]. SPEECH/97/242. Available on <http://europa.eu.int/rapid/pressReleasesAction.do?reference=SPEECH/97/242&format=HTML&aged=1&language=EN&guiLanguage=fr>.

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**Publication date:** 05/09/2012

**Press conference given by Mr Jacques Santer (introductory remarks) President of the European Commission - Preparation of the Special Council on Employment, Brussels, 12 November 1997**

Ladies and Gentlemen,

Employment will be very high on the European agenda during the coming days:

- tomorrow will see the Social Dialogue Summit;
- and next Monday there will be a "Jumbo" Council of Finance and Employment Ministers,
- both of which will prepare the ground for the special European Council on Employment scheduled for the end of next week.

I am pleased to see this hive of activity in connection with employment. Nevertheless, I would be happier if there had been fewer voices raised which - and I will not beat about the bush - show how much misunderstanding there is of our proposals. I will endeavour to reply to them.

As for preparing the ground, the Commission this morning finalised a communication on Community policies and employment. Let there be no misunderstanding - this is not a document for the European Council to approve.

Nevertheless, we felt it useful to set a framework for the broad and complex debate on employment. In a nutshell, this document sets out the different ways in which Community policies can help in creating jobs, be they policies concerning macro-economics, the internal market, the Euro, the structural funds and so on.

I shall not go into all these again because I have spoken to you about them on other occasions, and the document is there for you to read for yourselves anyway. I would just like to focus on two new elements.

First off, taxation. This morning we decided to suggest to the Council that efforts be focused on reducing VAT rates on locally provided labour-intensive services. This could be another way of boosting employment - through reducing the indirect costs of labour. It is an approach worth trying. That is why we propose the rate be reduced, on an optional basis, for a three-year period.

This proposal comes in addition to the taxation package submitted to the Council and aimed at doing something about harmful fiscal competition and setting up a Community framework for taxes on energy products. Whether directly or indirectly, the aim of each of these proposals is to see taxation made more employment-friendly.

Secondly, we have decided to get back to a level playing field as regards the criteria used to approve national subsidies. Together with the Member States we will study how effective the various national schemes in the employment field are.

As you have heard me say before, given that Member States spend ECU 100 billion a year on state subsidies, these should be rechannelled towards sectors with a promising future and solid employment prospects. What happens at present is that too many of these subsidies result in countries trying to outbid one another and to jobs simply being shifted from one place to another.

Be that as it may, the top priority of the special European Council on Employment will, of course, be the guidelines for Member States' employment policies. Our proposals are on the Council's table. They respect the letter and spirit of the agreement reached at the Amsterdam European Council. However, a number of comments and statements doing the rounds make me wonder whether some people have even bothered to read our proposals and whether people remember what was agreed in Amsterdam.

I have read, for example, that the Commission's proposals go too far, that employment is primarily a national affair.

My reply to that is - have not national go-it-alone approaches already proven incapable of delivering the goods? Was not this realisation the reason behind the Amsterdam agreement? Take a look at the Treaty's chapter on employment, read the Amsterdam decision on the need to set about applying its provisions ahead of time, read our proposal setting out the whole exercise.

You will then see that the fight against unemployment is primarily up to Member States. But the Treaty also sets out in detail the method with which the guidelines for national employment policies must tie in - a method which has been applied in the run-up to economic and monetary union, and which has proven to be very effective.

And how can we ensure that national policies all pull in the same direction if they do not form part of an overall, integrated approach? After Amsterdam this should be obvious to everyone. And our proposals are clearly founded on this approach.

I hear it said that we can do without guidelines. Just pursue sound macro-economic policies and jobs will follow automatically.

My reply is to say that, naturally, sound macro-economic policies must be part and parcel of the overall approach. In all our proposals we have emphasised how important this is. But we know from experience that growth on its own will no longer do the trick.

The approach we are pushing for, which calls for bold structural reforms, is vital if we are to create more jobs. What is more, there are some interesting figures now available which show how far an overall approach can increase the employment content of growth. You will find them among the various documents being handed out to you, which cover in more detail certain aspects of our proposals for guidelines.

I have also read criticisms to the effect that the Community objectives set out in our proposals are too general in scope, over-ambitious, and take no account of individual Member States' specific characteristics.

Too general, over-ambitious? Let me reply by saying that I would be the first person to reject aims founded on high-sounding phrases but devoid of any real substance, and our track record bears me out on this. But that is not what our proposals are about.

Our proposals make it quite clear that increasing the employment rate and cutting back unemployment requires certain very precise conditions, i.e. full application of the guidelines as part of an overall and integrated approach based on a realistic forecast of economic growth. The main thing is to get on with the job - the results will follow.

And how could we not take account of Member States specific features? It would be absurd to try to fit all Member States into the same mould. We are proposing nothing of the kind.

Our approach involves asking Member States to take their lead from, and converge towards, the best practices identified within the Union. And in this process every Member State's performance will be measured against its aims and its resources as they relate to its specific situation.

Nor are we asking for extra efforts in areas where Member States have an exemplary record. For example,

- we are not asking the United Kingdom and the Netherlands to make even greater efforts to reduce the indirect costs of labour,
- nor are we asking Germany to invest more in on-the-job training,

- or Sweden to do even more in the way of active employment measures.

Nor are we asking Member States to go for unrealistic targets. No-one is asking Spain to cut its jobless rate from 21% to 7% within the next five years, as some people seem to believe. And I note that Spain has already set itself the aim of reducing its unemployment rate from 21% to 18% this year. This is extremely ambitious - and if Spain succeeds, she deserves to be congratulated. What more could one ask of her?

I also hear some surprising statements about the alleged cost of our proposals.

First off, I would like to reiterate for the nth time that, basically, all we are doing is asking Member States to assume their responsibilities as far as their specific characteristics and budget situation allow.

Our underlying approach is one of budget neutrality. We are proposing that expenditure be restructured, benefit systems reformed and taxation adapted to make it more employment-friendly. We are also urging that a larger part of the ECU 200 billion spent on employment policies each year be re-routed towards active measures to help more of the jobless back onto the labour market.

I would also hasten to add that we do not envisage any extra spending at European Union level either. I do not know where all these ludicrous claims come from about our preparing to launch broadly conceived Community job-creation programmes using public monies.

Let us stop for a minute and consider what is on the table from the European Investment Bank (not the Commission, and at the request - please note - of the Amsterdam European Council!) and from the European Parliament.

- The EIB is proposing that some of its reserves be used for measures to promote small and medium-sized businesses and Trans-European Networks. I find this an interesting and sensible way of resolving some of our problems, and it would not cost national budgets one extra penny.

- The European Parliament advocates - in a very responsible and imaginative manner - redeploying budget resources earmarked for employment. And like the EIB proposal, this approach would also have no repercussions on national budgets. As for the Commission, it is currently drawing up specific proposals for using this money to greater effect.

Ladies and Gentlemen,

I have been at pains to state my position on the above matters

- because it would be regrettable if the job creation initiatives were to fail because of misunderstandings or for some other, perhaps more political, reasons,

- and it would be regrettable if we missed the opportunity, which we shall have in the next few weeks, to shift into a higher gear in our efforts to fight unemployment.

Some people are warning against raising false hopes, and rightly so. I agree with them. But I am also against false arguments which destroy legitimate expectations. And legitimate expectations are precisely what I have of the special European Council on Employment.

- I call on the European Council to keep to the Amsterdam Agreement; it is based on a sound analysis of what is wrong and a precise definition of the method and the responsibilities.

- I call on the European Council to respect its commitment to match words with deeds.

- In a word, I call on the European Council to reach agreement on the guidelines, which are ambitious, precise and quantifiable wherever possible.

My words are not meant for Member States alone. The social partners also have a key role to play in ensuring that our approach succeeds. They have already worked responsibly towards this, contributing to pay restraint and concluding agreements which have enhanced the European Union's social dimension. But the challenge posed by unemployment is daunting and requires us to embark on a new stage involving the social partners as well. This is the crucial point for tomorrow's social dialogue summit.

Let me close by saying that, as history shows, decisive breakthroughs in European integration are preceded by all kinds of hesitation and stumbling blocks. It also shows, however, that when a breakthrough is achieved, everyone benefits. I am absolutely convinced that this will apply here as well - if we act now with courage and determination to boost employment, everyone will be a winner.