



**PARTY OF EUROPEAN SOCIALISTS
FOURTH CONGRESS MILAN, 1 AND 2 MARCH 1999**

**A EUROPEAN EMPLOYMENT PACT
FOR A NEW EUROPEAN WAY**

*Report from PES Party Leaders
Presented by Antonio GUTERRES
Adopted by the P.E.S. Congress on 2 March 1999*

EXECUTIVE SUMMARY OF DRAFT PES TEXT A EUROPEAN EMPLOYMENT PACT - FOR A NEW EUROPEAN WAY

On the occasion of the PES Party Leaders' meeting in Vienna (29/30 January 1999), A. GUTERRES, Leader of the PS Portugal, was invited to prepare a common PES text on employment for the Milan Congress. Two in-depth discussions amongst Party Leaders' representatives took place (Lisbon, 19 February; Brussels, 24 February), both chaired by A. GUTERRES.

Executive summary

European Socialists and Social Democrats propose a New European Way, a European Employment Pact. We want to undertake a major shift, which shall lead, to higher employment, sustainable economic growth and new prosperity shared by all.

We need to launch a new trajectory of growth and employment with social inclusion in Europe. The New European Way endeavours to

- (1) combine higher growth with a control of inflation, public deficits and debt,
- (2) create employment involving more people in the labour market,
- (3) combine social protection and competitiveness.

We must create the confidence to boost investment and to overcome the present slowdown, which undermines prospects for growth and technological modernisation not only in the short, but also in the long run. We call for a new policy mix at monetary, wage, fiscal and tax policy. The aim is to improve the potential for innovation and growth, and to create a more active and inclusive society. The old hire and fire policy will be replaced by economic reform. Confrontation will be replaced by social dialogue.

As for the European Employment Pact, we want to reinforce the co-

ordination between the different players, encouraging more ambitious agreements between the social partners at all levels. The relationship between the broad economic guidelines and the employment guidelines must be improved with regard to their content, their timing (by discussing and adopting them simultaneously, with a final debate to be held at each June European Council) and the relation between the Council committees involved.

The employment guidelines should reinforce their priorities and concrete targets for investment in human resources, building up a life-long learning system, to increase equal opportunities, and to combine greater adaptability with increased social responsibility of companies.

A European initiative for the Information Society should be launched in June 1999, ambitious enough to close the gap with the US and to create the basic infrastructure of the future.

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*Party of European Socialists Congress
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A EUROPEAN EMPLOYMENT PACT FOR A NEW EUROPEAN WAY

European Socialists and Social Democrats propose a New European Way. We want to undertake a major shift. This New Way shall lead to higher employment, sustainable economic growth and new prosperity shared by all.

With globalisation and the risks of financial crises, Europe is facing new challenges including the threat of higher unemployment. But Europe's present unemployment of over 15 millions is already unacceptable. In a globalised world, facing increased risks of financial crises and unacceptable high unemployment, uncoordinated national policies are no longer adequate to protect the social cohesion in our societies. While competitive multinational companies become "global players", the poor, the unemployed and all those struggling to catch up with the frontier of technological progress find themselves excluded.

The New European Way attempts to close this gap by launching a new trajectory of growth, innovation, economic reform and economic expansion, by reshaping society's forms of work, employment and opportunities and by enabling people to develop new capabilities to respond to new challenges.

*The present stage of European construction has brought about new instruments to achieve these goals. With the introduction of the Euro, Europe can affirm itself as a central world player and promote its own development and social choices. The Luxembourg Special Summit was an important step forward, defining European
A European Employment Pact – For A New European Way*

guidelines for employment and translating them into national action plans.

The elections for the European Parliament must prepare the agenda for the next five years. As Socialists and Social Democrats we wish to re-establish firmly the goal of full employment, although adapted to the modern world with more flexible time over the working life, greater choice between work and leisure, equal opportunities for women and men, more fairness between younger and older generations and improved social justice. In order to achieve these objectives, we now must take a major new step, in combining social policies with economic policies, in defining the appropriate policy-mix and the co-ordination procedures, as well as new forms of global regulation, which can boost sustainable growth and better living conditions.

A Europe with the Euro must also be a Europe with a human face. A European Employment Pact must be put into action, providing the framework for a European strategy for growth and employment. Targets and procedures for this Pact must be defined in answer to the new problems Europe is facing.

1. A EUROPEAN STRATEGY FOR GROWTH AND EMPLOYMENT

We need to launch a new trajectory of growth and employment with social inclusion in Europe.

Are we already following this trajectory? The present unemployment and employment rates in the Union as a whole show we are not, notwithstanding significant differences from country to country.

Given their presence in most of Europe's governments, Socialists and Social Democrats have a clear responsibility to introduce and to press for policy changes where they may be required.

In defining a European strategy for growth and employment,

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Socialist and Social Democratic objectives are positive; we want:

- *to develop new employment areas and new competitive factors, equipping and empowering people with new skills;*
- *to continue to promote this new trajectory with social inclusion and with sustainable and non-inflationary growth.*

It is not possible to rely mainly on a negative and defensive approach. Instead we need:

- *to combine higher growth with a control of inflation, public deficits and debt;*
- *to create employment involving more people in the labour market;*
- *to combine social protection and competitiveness.*

Without such a positive approach, Europe will be doomed to a vicious circle made of even more unemployment, gaps in social protection, the downgrading of the social model and, ultimately, the deterioration of European competitiveness.

A better policy-mix must be defined, where macro-economic policies and structural policies reinforce each other, mobilising innovation, initiative, solidarity, sustainability and responsibility.

We want to develop a European strategy for growth and employment based on three key objectives:

- 1. to manage sustainable growth*
- 2. to improve the potential for innovation and growth*
- 3. to strengthen an active and inclusive society*

As we shall see, these all combine short term measures with long term ones.

Managing sustainable growth

Macro-economic policies must contribute to managing sustainable and non-inflationary growth. We must create the confidence to boost investment and to overcome the present slowdown, which undermines prospects for growth and technological modernisation not only in the short but also in the long run.

At European level, we must define an appropriate policy mix between the unified monetary policy, the 15 national budget positions and the multitude of wage and income developments in Europe. Such macroeconomic co-ordination has been resisted by conservatives and neo-liberals with disastrous consequences. We believe that, by concluding a European Employment Pact, free markets will work efficiently and at lower social costs. A better macroeconomic policy co-ordination will focus on the following points:

1. According to the Treaty, European monetary policy should support the general economic policies of high employment and sustainable growth in the Community, without prejudice to the objective of price stability and with respect of the independence of the ECB (art.2 and 105 of the Treaty of European Union). As the example of the United States shows, an accommodating monetary policy in a non-inflationary environment can contribute to a long period of sustained growth.
2. To recommend wage developments to social partners where wage increases relate to productivity, taking into consideration the specific situation of each Member State. This would anchor inflation, promote employment and allow for a monetary policy conducive to investment and growth.

3. Higher growth and lower interest rates make fiscal consolidation easier. It will be more and more so if growth spreads all over Europe and if budgetary co-ordination is improved. Our policy should open new opportunities for private and public investment and a modernisation of the welfare state.

4. Fiscal policy must pursue the two objectives of the Pact: stability and growth. This means that, along with deficit reductions aimed at Member States, automatic stabilisers must be fully utilised if necessary. Public expenditure must be restructured in order to increase its investment component and to reinforce the new priorities in investment, complemented with new financial tools - such as public-private partnerships.

5. European budgetary policy can play an increasing role to strengthen these new priorities for investment in innovation in SMEs, Trans-European networks, knowledge infrastructures, R&D, education, training, pilot programmes in employment policy. To this end, the Community budget for structural and internal policies should be complemented by the European Investment Bank and by the European Investment Fund, and by diversified public-private partnerships. New ways need to be considered to encourage the voluntary conversion of private savings into investment. The role and the viability of eurobonds should be seriously considered by European institutions, taking also into account the cost-benefit for future generations.

6. Tax policy must be better co-ordinated to foster employment and "environmentally friendly" growth. This policy remains the prerogative of national governments and parliaments. It is, however, not acceptable for Socialists and Social Democrats that the integration of product and capital markets leads to unfair tax competition.

7. Finally, regional development policies can play a crucial role in

boosting both the catching up process of less favoured regions and real convergence with average European productivity – which is the main antidote to the risks of social dumping, and the main driving force behind greater economic and social cohesion.

At global level, Europe must increasingly speak with one voice in order to have effective influence on the regulation of the international financial system. The Euro reinforces this possibility. This calls for:

- the improved international co-ordination of the policy-mix to promote sustainable growth and financial stability
- the improved political accountability of IMF, WB, WTO and ILO
- the encouragement of regional integration at economic, financial and political level within an open trade environment
- the definition and enforcement of a code of conduct among financial operators
- the creation of a world-wide system for monitoring financial and economic risks

To improve the potential for innovation and growth

Structural policies must play an increasing role at national and European level to improve the potential for innovation and growth. National and European budgets must be gradually restructured, giving greater priority to measures such as:

To improve innovation:

- identify and stimulate new areas of job creation, improving the relationship between growth and jobs, and addressing the new needs connected to lifetime, ageing, sustainable development, quality of life, etc.

- improve the general conditions for the creation of SMEs
- increase access to venture capital
- improve the interface between R&D and companies
- stimulate the innovation of new products and services, in response to new social needs

But, more than that, policies must be designed to organise a European innovation system, networking companies, R&D, education and training institutions and financial systems at European level.

To strengthen the Trans-European networks:

- of energy, transport, telecommunications following the existing programme
- of information and content, creating a European network of knowledge resource centres and industries

To organise a learning society with opportunities for all:

- to reform education systems, creating learning centres able to provide life-long learning for all
- to stimulate partnerships for learning between companies, schools and training centres
- to strengthen vocational guidance for the young and for adults
- to launch a European portfolio of competences to stimulate employability and regional mobility
- to encourage new forms of work organisation and working time management in order to increase learning opportunities
- to facilitate generalised access to the Internet

Faster changes and innovation should not create social exclusion. Therefore, we need to create a more active and inclusive society.

To create a more active and inclusive society

The European social model must be modernised in order to survive. This reform must include a new combination of the principles of flexibility and security and of responsibility and solidarity, as well as enlarging the opportunities for all.

Thus we need to improve:

- equal opportunities for women and men, combating professional discrimination, expanding social infrastructures for child care and care of the elderly. A tool for ensuring progress is benchmarking
- the adaptation of work places and of work organisation so as to combine different age groups
- the role of social dialogue at all levels but also the social responsibility of companies
- negotiations between social partners which may include new rights and new duties connecting security and employability
- negotiated flexibility, re-organisation and reduction of working time
- active employment policies targeted at young unemployed people, the long-term unemployed and workers with lower levels of employability
- active integration policies for disabled people and job-seekers from ethnic minorities
- the reform of social protection, combining general basic rights and positive discrimination with more individual responsibility
- greater possibilities of choice in the distribution of work during the life cycle, combining part-time jobs, training opportunities, parental leave, flexible retirement, always supported by the basic rights to social protection and to life-long learning

Socialists and Social Democrats also insist on binding commitments in the fight against social exclusion.

2. TOWARDS A EUROPEAN EMPLOYMENT PACT

As European Socialists and Social Democrats we want to ensure that economic and social policies will effectively lead our citizens to a new period of growth and employment. Our aim is a New European Way.

A European Employment Pact should be the driving force behind this by:

- 1. Strengthening the priority for growth and employment in all economic and social policies, putting into practice the strategy outlined above*
- 2. Reinforcing the co-ordination between the different players in the various fields of this strategy, creating a culture of dialogue, confidence and mutual trust*
- 3. Encouraging more ambitious agreements between social partners at all levels, since they can be compensated by obtaining better conditions for employment and for investment*

The European Employment Pact should take advantage of the already existing European policy instruments, by improving them in order to achieve these three objectives.

The European Employment Pact should be based on a political declaration by the various actors committing themselves to giving greater priority to growth and employment, which should be translated into practical improvements in the existing instruments, such as:

- 1. The relationship between the broad economic guidelines and A European Employment Pact – For A New European Way*

the employment guidelines must be improved with regard to their content, their timing (by discussing and adopting them simultaneously, with a final debate to be held at each June European Council) and the relationship between the Council committees involved

- 2. The broad economic guidelines must become the focal point in formulating a coherent economic policy. The policy mix of monetary, wage, fiscal and tax policy should create the conditions for boosting private and public investment and managing sustainable growth. The national stability programmes should also develop this approach.*
- 3. The employment guidelines should reinforce their priorities and concrete targets for investment in human resources, building up a life-long learning system, to increase equal opportunities, and to combine greater adaptability with the increased social responsibility of companies. National action plans for employment should also develop this approach and define more binding targets concerning instruments and resources involved.*
- 4. The employment guidelines should consider gender equality as a basic component of all employment policies.*
- 5. Social partners are invited to contribute with a policy framework agreement on several topics, which are under negotiation, concerning the modernisation of the European social model. The implementation of national pacts can also develop this approach.*
- 6. The external representation of the Euro zone and the relationship between the Council, the Commission, the European Parliament and European Central Bank must be improved in order to increase Europe's capacity to master its policy mix. The European Central Bank should be invited to*

continuously clarify its accountability and transparency rules, its policy of price stability and its responsibility in terms of supporting general economic policies with regard to Article 2 of the Treaty provided price stability is not threatened.

- 7. European internal policies should play a stronger role in improving the potential for innovation and growth, not only by launching more ambitious programmes of their own but also by increasing co-operation and co-ordination between Member States in the areas of infrastructure, industrial policy, R&D, education and training policies.*
- 8. A European Initiative for the Information Society should be launched in June 1999, ambitious enough to close the gap with the US and to create the basic infrastructure of the future.*

A European Employment Pact aiming at establishing a New Way for growth, employment and prosperity is a key commitment of Socialists and Social Democrats.