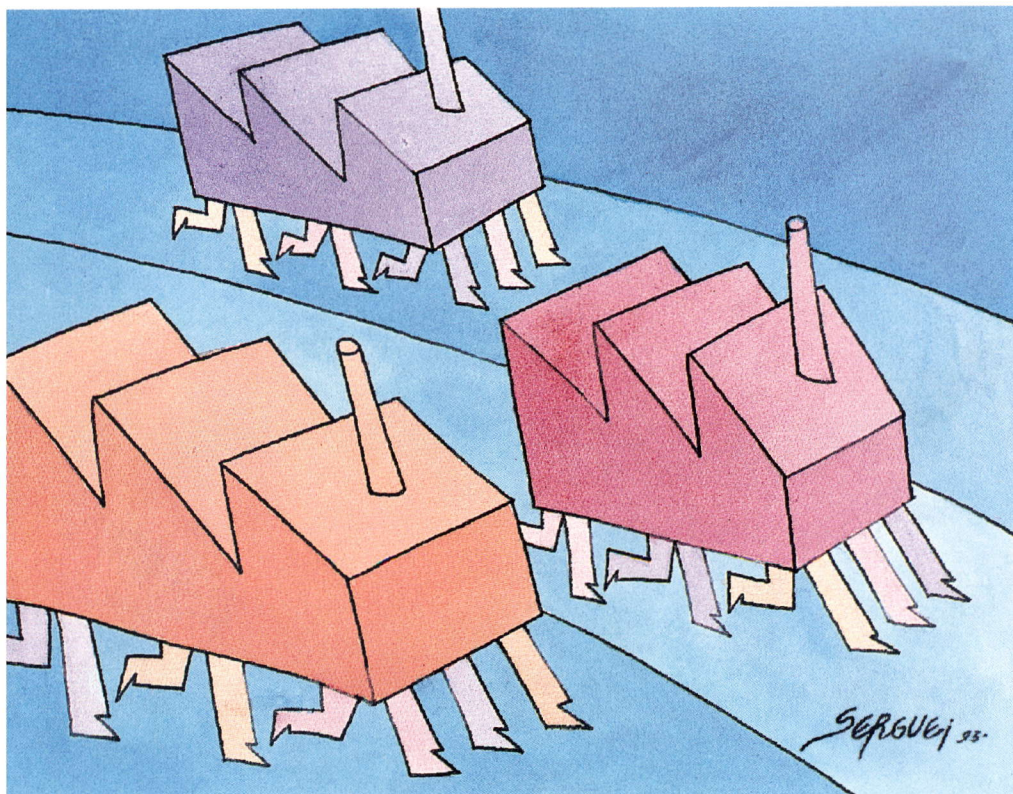
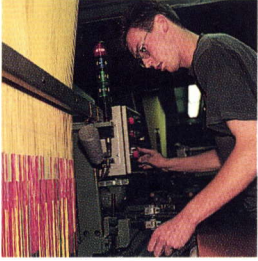


THE FIGHT FOR JOBS

The European growth initiative



Europe
on the move



Brocklaert

Unemployment is now one of Europe's most serious problems. There are almost 18 million unemployed in the Community's 12 Member States, and the total may well exceed the 20-million mark in the years to come. When so many people are powerless to control their own destiny and to work in a job of their own choosing, dissatisfaction, social unrest and conflicts may well be the consequence.

At its summit meetings in Edinburgh (December 1992) and Copenhagen (June 1993) the European Council agreed to step up the fight against unemployment and drew up a plan of action to promote growth and combat unemployment in Europe (the European growth initiative).

WHAT CAUSES UNEMPLOYMENT?

Unemployment is caused when individual firms — or entire industries — operate with excessive production costs or are no longer able to ward off competition from abroad. It can also be the result of manufacturing the wrong products. The crisis in Europe's steel industry arose because much of the industry's output could be produced less expensively in the more advanced developing countries. What Europe should be concentrating on is hi-tech products. Structural unemployment is the term used to refer to difficulties on the labour market which result from a failure to adapt to changed circumstances.

Another possible reason for high levels of unemployment is a lack of demand. A number of factors ensure that demand for goods and services — the level of economic activity — fluctuates constantly. A feeling of uncertainty, for example, can lead individuals to save more and, therefore, spend less. If com-

panies then experience a fall in turnover and are forced to lay off staff, it is usual to speak of cyclical unemployment. Over the past few years both these factors have caused an increase in unemployment in Europe.

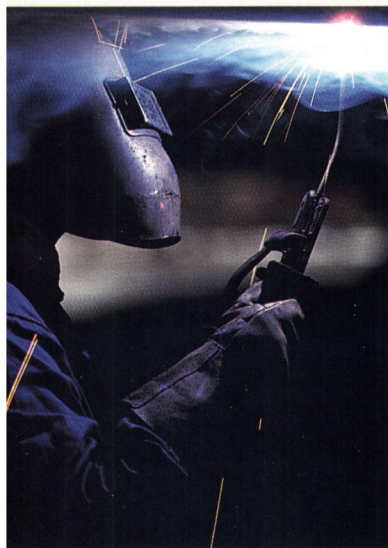
HOW CAN THE EUROPEAN COMMUNITY HELP?

The European Community and its Member States must therefore take steps to eliminate the structural weaknesses in the European economy, thereby making it more competitive and providing stimulus for increased de-

S. Dornelouksen

Competition from non-member countries is threatening the European steel industry.

Europe must strengthen its position, particularly with regard to hi-tech products.



G. Stampfer

mand and the creation of jobs. At its summit meetings in Edinburgh (December 1992) and Copenhagen (June 1993) the European Council agreed to step up the fight against unemployment and drew up a plan of action to promote growth and combat unemployment (the European growth initiative). The plan comprises three sets of measures.

Stay on course for European Union

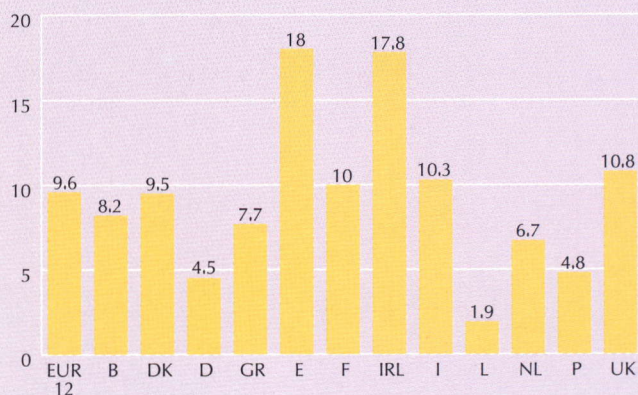
The Community must stick to the path to European Union agreed in the Maastricht Treaty at the end of 1991, thereby raising confidence levels both among consumers and within the business community. That means making sure that the internal market set up at the beginning of 1993 operates smoothly by dismantling all frontiers between the Member States and adhering to the timetable for economic and monetary union, which will lead to the introduction of the single European currency, the ecu, by 1999. It will also be important to guarantee free world trade by bringing the Uruguay Round of international negotiations to a successful conclusion.

Unemployment in the Community (1992)

The figures below show the number of unemployed persons in the Community in 1992. The employment position has worsened in 1993, with experts forecasting a 1.75% reduction in economic activity (1992 saw a reduction of 0.75%).

Total unemployed in the Community	14 109 000
comprising:	
men	7 159 000
women	6 950 000

Unemployment rates (%)



Recommendations for Member States' economic policies

As economic policy is largely a matter for the Member States, whose public funds exceed the Community budget by far, the action they take to combat unemployment has a special significance. Accordingly, the European Council has made a number of recommendations to the Member States, encouraging them to:

- take every opportunity, in accordance with their national circumstances, to exploit the limited room for manoeuvre available as concerns budgetary policy while still taking care not to upset the balance of public finances and consequently price stability;
- switch, as far as possible, their public expenditure priorities towards in-

The European Investment Bank, the Community's own bank, raises funds on the financial markets for onlending to investors at preferential rates.



Wang Mo

interest rates can reduce industrial costs, encourage new investment and, as a result, create new jobs.

Community measures

Despite the emphasis on how the Member States formulate their economic policies and manage their public finances, there is nevertheless much that the Community can do to promote investment, thereby stimulating the economy and helping to combat unemployment. A number of measures were decided at the Edinburgh Summit and expanded upon in Copenhagen six months later.

frastructure and other capital investment such as transport routes, telecommunications networks and power stations;

- implement measures to encourage private investment, especially by small and medium-sized businesses;
- act to improve further the efficiency of their economies, for example through action to reduce subsidies which distort competition and measures to enhance competition and the operation of markets;
- make efforts to achieve restraint in public-sector wage settlements.

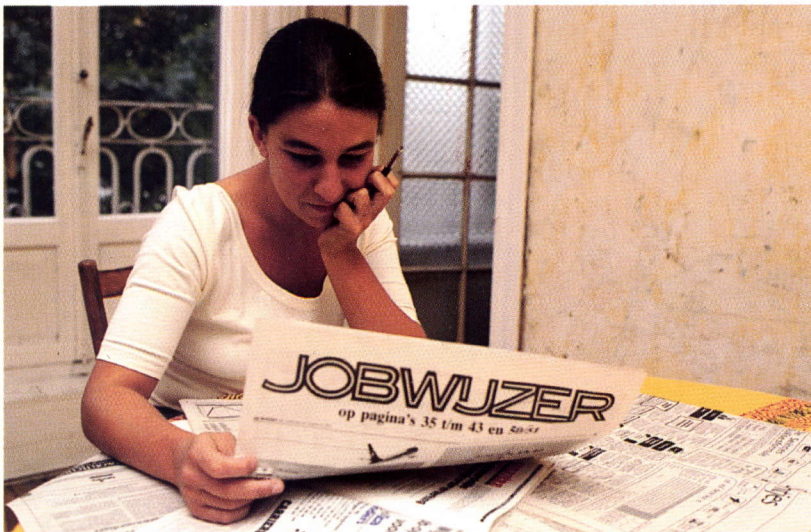
Wages and salaries in the private sector also have a significant role to play. The European Council noted that sound government finance coupled with low inflation and wage moderation would help to create the conditions for reductions in interest rates. This is important because moderate rates of pay and low

Reduction in investment in the Community

1992 saw a 1% reduction in investment in the Member States. The trend is set to continue into 1993, a drop of 1.5% having been forecast. This development, which has repercussions on employment, is concentrated in the area of capital investment. In the building trade, which experienced stagnation in 1992, investment levels are down in 1993. Measures to revitalize the economy are therefore vital.

- The Edinburgh facility

The European Investment Bank has an important function to perform. The EIB is in a way the Community's own bank because its capital was subscribed by the governments of the Member States. They are liable for the EIB's capital, which makes the bank a prime-quality borrower. For some years now the bank has therefore been able to raise capital on the markets at preferential rates, which it has subsequently channelled into a number of investment projects. The Edinburgh European Council decided that a new, temporary lending facility of ECU 5 billion should be established within the EIB and that the normal ceiling on the extent of loans should be raised from 50 to 75% and the combined (loans and grants) ceiling from 70 to 90%. This is intended to help promote large-scale infrastructure projects (trans-European networks) such as motorways and other transport developments, or energy and telecommunications networks, which may also include the countries of Central and Eastern Europe. At the Copenhagen Summit in June 1993 the Edinburgh



Full use must be made of growth potential in order to create jobs for young people.

facility was increased by a further ECU 3 billion, bringing it to a total of ECU 8 billion, and its duration was extended beyond the end of 1994. ECU 1 billion of the new funds was earmarked for action to strengthen the competitiveness of small and medium-sized businesses, for example by granting interest-rate subsidies to a maximum of three percentage points. It took only a very short time after the Edinburgh decisions for the EIB to begin using the additional resources from the facility to finance a number of important infrastructure projects.

- The European Investment Fund

The Heads of State or Government also agreed that a European Investment Fund (EIF) with ECU 2 billion of capital contributed by the EIB, other banks and the EC Commission should be set up. The Fund is to extend guarantees of between ECU 5 billion and ECU 10 billion. Guarantees make it easier for companies to obtain loans to finance large-scale investment projects.

By taking these measures, the Community is seeking to increase public and private investment by a total of ECU 30 billion over the next few years.

- The Community's Structural Funds

The Copenhagen Summit recognized the contribution that the Community's Structural Funds (regional fund, social fund and agricultural structural fund) can make to boosting the economy. The Ministers for Finance were asked to consider a bridging facility that would give the Community access to part of the very generous sum of ECU 160 billion in the Community budget for the period between 1994 and 1999. Member States would be able to draw on a Community loan at market interest rates up to a maximum of ECU 5 billion. The loan can be repaid later from Structural Fund appropriations. Similar arrangements could be applied to the



Member States must use their financial resources to promote investment.

There is no lack of demand — as the construction industry shows.



Boucher

new Cohesion Fund set up to assist Member States experiencing economic difficulties.

Long-term measures

However, action to revive the economy in the short term is not, on its own, enough. It is more important to improve the global position of the European economy by taking measures of a more lasting nature. More jobs are currently being created in the USA and Japan than in Europe. At the same time, both these countries are increasing their share of world trade, a fact which President Delors demonstrated to the Heads of State or Government in an analysis presented in Copenhagen. Accordingly, the Commission was invited to draft a white paper on a medium-term strategy for growth, competitiveness and employment. The Commission President put forward a number of points to the European Council in the form of a plan entitled 'Entering the 21st century'. They include:

- staying on course for the single European currency, the internal market and solid economic policies (convergence);
- efforts to bring about free and fair world trade;
- increased cooperation in research and development;

The economy and unemployment — prospects for growth

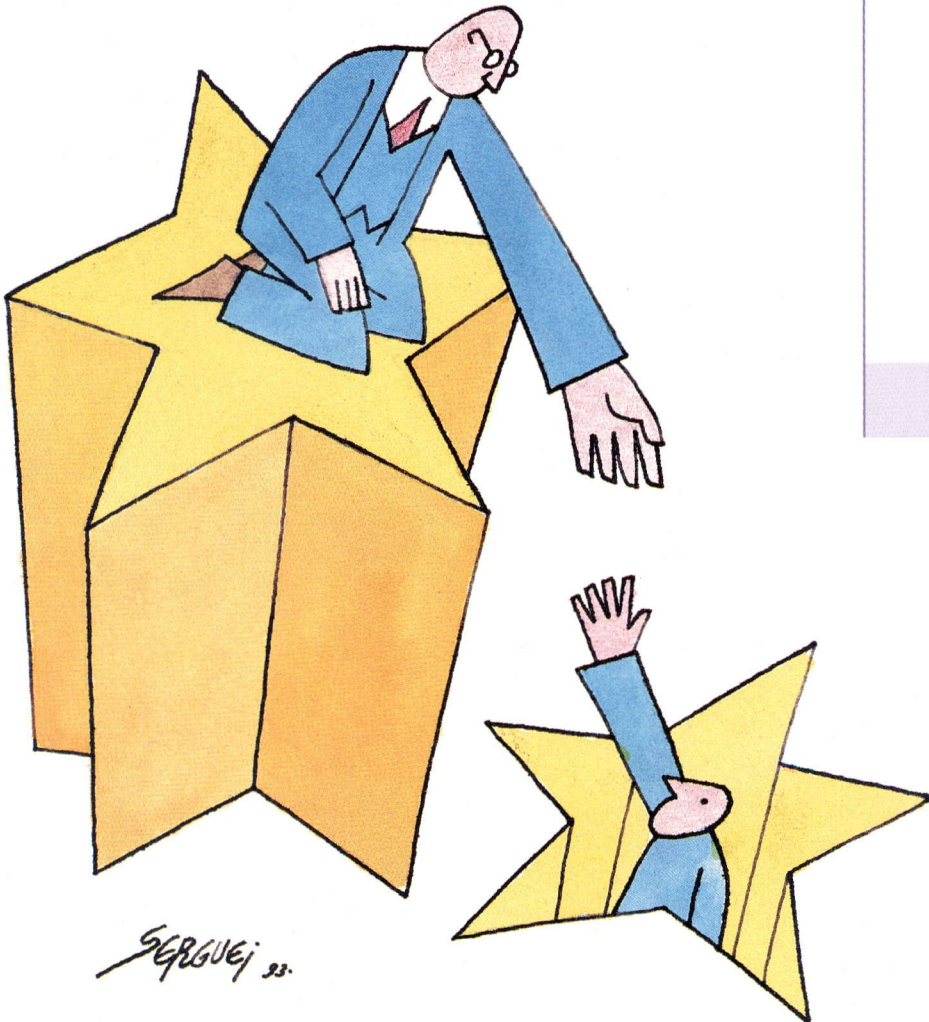
The economic upswing forecast for 1993 has failed to materialize. Growth, as in 1991 and 1992, has been minimal. The recovery awaited in 1994 will probably do little more than offset the decline in employment. Given the number of young people about to come onto the employment market, the jobless total can be expected to rise to almost 12%.

The Community's GDP has fallen slightly in 1993. If special measures are not taken in 1994, the best that can be hoped for is a slight increase in GDP, which will not in itself be sufficient to improve the poor employment situation.

The Member States and the Community must therefore do everything in their power to kick-start the economy. It is the only way of bringing unemployment, particularly among young people, down to a tolerable level.

- setting up efficient transport and telecommunications networks;
- creating a common information area in which to develop and invest in telecommunications, data processing and fibre optics;
- profoundly changing our education systems, e.g. by working out new approaches to life-long training;
- creating new jobs by increasing environmental protection, improving the quality of life and introducing the necessary tax measures;
- more active policies towards the labour market, creating new jobs and training opportunities.

However, action to revive the economy in the short term is not, on its own, enough. It is more important to improve the global position of the European economy by taking measures of a more lasting nature.



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