



A Pact for growth and jobs in Europe

PES Declaration adopted by the PES leaders on 28 June 2012

Today's European Summit must take a strong stance in favour of growth, investment, and jobs. Europe urgently needs a truly progressive growth agenda. The austerity-only policies of European conservatives have not solved the crisis. On the contrary, they have strangled growth and are threatening the European social model. They are now putting at risk the very idea of European integration. Recovery must rest on two equally important pillars: relaunching job-rich growth, and ensuring budgetary discipline. Just as fiscal responsibility is essential for fair and sustainable growth, so is fair growth an absolute condition for achieving sustainable and balanced budgets. We must give people back hope by offering a Europe of solidarity, not only of sanctions. That is why we are proposing a progressive action plan for growth and jobs in Europe with three fundamental aims:

1. To define the key growth-inducing reforms and a coordinated European Investment Strategy
2. To identify the concrete economic and fiscal measures that will achieve a smart growth-friendly fiscal consolidation
3. To identify the key principles underlying the need for the establishment of a system of European economic governance.

We demand a strong commitment of the Council for growth and employment. On this basis, the three EU institutions should work together for implementing this commitment with fully legally binding effect.

An Action Plan for Employment and Growth in Europe

1. A European programme to combat youth unemployment

We have a strategy to halve youth unemployment by 2020. To achieve this target, a European Youth Guarantee and a European Youth Employment Programme must be introduced, equipped with at least €10 billion. The necessary funds must be reallocated to create new jobs for young people, improve education and vocational training system and strengthen active labour market policies, while ensuring equal opportunities for women and men. In the European Multiannual Financial Framework beginning in 2014, a new budget line for youth employment must be introduced.

2. A European Employment Pact

To tackle unemployment, Member States have to strengthen active labour market policies, ensure investment in skills and life-long learning and take more responsibility for creating new jobs. We must get more women into employment, ensure that adequate social and public services are provided and all forms of discrimination eliminated. To overcome the crisis, it is imperative for all Member States to fight unemployment and reach the Europe 2020 target to increase the employment rate to 75% by 2020, with the necessary financial support from the European budget.



3. Developing a Social Union

To tackle the social consequences of the crisis we need to develop a Social Union. Common social standards must be developed, preventing social dumping, improving workers' and unemployed peoples' protection, guaranteeing equal access to universal, high quality public and social services and introducing decent minimum incomes. At least 6% of national and EU budgets must be spent on education. Primary and secondary EU legislation must ensure that fundamental social rights are not subordinated to single market freedoms. Low wages in some countries are one of the major reasons for reduced consumption in Europe. Maintaining or raising the purchasing power of wage-earners is crucial. In addition, a European pact for minimum wages should be introduced, ensuring that all workers and employees receive a wage above the poverty threshold. We want to eradicate the gender pay-gap once and for all, starting with a binding target of a 2% narrowing of the gap per year in every Member State. More efforts are needed to improve childcare and elderly care systems.

4. Renewing and greening Europe's industry

Europe needs a reindustrialisation process to strengthen its industrial base, especially by boosting growth in future-oriented sectors. The EU and Member States need to support this development by increasing investment in and providing the necessary framework conditions for high-quality education and training for women and men; a strong infrastructure; reliable, carbon-free and affordable energy; access to capital; access to modern information and communication technology and planning security. Reaching the Europe 2020 target of investing 3% of EU GDP in research, development and innovation must be closely monitored. _

Taming Financial Markets, Building Stability, Financing Growth and Employment

1. Optimising the operation of the EU budget

The EU budget and its rules must be adapted to strengthen its role as an instrument for growth. Structural Funds and Cohesion Funds should remain at least at current levels, be accessible to all European regions, and be combined where appropriate with new financial instruments to support local, regional, national and European projects to generate growth. Unused EU Structural funds must be reallocated at short notice and the co-financing rules must become more flexible, which would allow for example to immediately establish a European programme to combat youth unemployment. At the same time, the multiannual financial framework (MFF) for 2014-2020 should be equipped with the necessary budgetary means, including own resources, for the EU to reach the objectives of the EU 2020 Strategy.

2. Tapping new revenues

Several measures must be put in place that could generate billion in new revenues. A European Financial Transaction Tax could raise €100 billions a year, and should be established as soon as possible. Measures to halve by 2020 tax fraud, evasion and avoidance, and fight against tax havens – which cost EU governments €1 trillion a year – must be implemented. At the same time, taxing the bonuses of high income earners and implementing adequate Green and Corporate Taxation could generate billion of Euros in additional revenue.

3. Combating the financial and banking crisis

As soon as the European regulatory framework to supervise and regulate the banking sector is in place, a banking union should be established. Such a union should include an enhanced supervision system and have coordinated recovery and resolution rules that allow banks to capitalise themselves. The recapitalisation of banks must not impose a further burden on tax payers. The separation of commercial banks from investment banks and their supervision and regulation on a European scale is necessary. More transparency of the activities of rating agencies is needed and a European rating agency must be created to evaluate the creditworthiness of states, and counterbalance private rating agencies.



4. Ensuring fiscal responsibility with smarter rules

We need stricter European rules and stronger common goals to coordinate and boost national investments, tied to the objectives of the Europe 2020 strategy. We further need to boost productive investment even in an economic downturn, either through a 'growth regulation' or by introducing a distinction between current expenditure and public investment. The EU's economic and financial policies must be coordinated more closely and address the issue of macroeconomic imbalances. The EU must prevent tax reduction competition which lacks solidarity and leads to a fiscal race to the bottom. At the same time, the effects of the recession on the public deficit must be taken seriously and existing room for manoeuvre in the Stability Pact with regard to the economic cycle must be utilised, allowing for the adjustment of the consolidation timing.

5. Bringing down the costs of debt servicing

The possibility of introducing a so-called "Redemption Fund" - a European debt repayment fund with joint liability for outstanding national debts exceeding 60% of GDP, coupled with a debt-cut plan which is binding for the individual countries must be taken forward. This possibility should not halt current discussions on introducing Eurobonds, a common system of public debt issuance, as a long term solution for reducing national borrowing costs.

6. Ensuring financial stability

The ECB has been purchasing government bonds on the secondary market in certain economic and market conditions, and this practice can continue when necessary. To reduce Member States' vulnerability to financial market speculation and avoid the risk of contagion, the European Council should give serious consideration to the granting of a banking licence to the European Financial Stability Facility and the European Stability Mechanism by the European Central Bank. The ESM, the EFSF and the ECB should be prepared to intervene to restore market confidence in sovereign bonds and ensure that the sovereign debt of Member States does not increase.

7. Developing a European Investment System

The European Investment Bank and the European Investment Fund can provide additional sources of funding investment. Extending the EIBs share capital by €10 billion could increase its lending capacity by €60 billion over the next four years. At the same time, the European "project bonds" can trigger a flow of private capital into real investment. With the right policy and regulatory framework pension funds can be reoriented from current high-risk dependence on financial products towards financing long term investments in the real economy. This European investment system can further extend its reach if it is leveraged by the Community Budget, drawing on new own resources.

Making economic governance accountable and fit for purpose

The recent revision of European legislation on the conduct of economic policy and the different decisions already taken to try and overcome the crisis have considerably re-shaped the pre-crisis system of **European economic governance**. The decision-making and policy processes have become horrendously complex, opaque and impossible for citizens to understand. This threatens Europe's democratic accountability and legitimacy. An institutional reform is needed to ensure a more democratic and balanced economic governance. The Economic and Monetary Union can only provide the conditions to reduce the public debt with more growth and jobs if it is completed with its missing blocks: a better economic coordination for growth, stronger European instruments to support investment, a stronger regulation and supervision of the financial system, a more effective public debt issuance and a better combination of the Community with the national budgets. All these new roles of the European economic governance should respect the Community method and strengthen the role of the European and national parliaments for stronger accountability and legitimacy.



As conservative dominance over the management of Europe's economy is crumbling, and as socialists are regaining power in more countries and regions, the conditions are right for our progressive ideas to take root. This is the time to overcome the crisis by implementing our plan for an ambitious and responsible programme of investment, and our forward-looking vision of European integration.

Our plan focuses both on measures for creating growth and instruments for financing it. It enhances fiscal responsibility and provides viable solutions for the efficient management of debt, while protecting and promoting a socially just Europe. It provides the basis for the creation of a European Economic and Social Union much needed for efficient macroeconomic coordination and social justice.

Now more than ever Europe is part of people's lives, yet unfortunately more and more citizens view it as part of the problem, rather than as part of the solution. Our family has a vision of another Europe, a Europe of equality, fairness and solidarity. To create that Europe our progressive action plan for growth and jobs is a necessity today.

