EUROPE BACK TO WORK

A 10-POINT PLAN FOR CHANGE

S&D

Group of the Progressive Alliance of
Socialists & Democrats
in the European Parliament

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PREFACE: EUROPE BACK TO WORK

Mass unemployment is the most urgent problem facing the European Union. It is both a social and an economic tragedy. With 27 million unemployed, the lack of jobs is destroying lives and hopes, breaking up families, and creating poverty. Even from a cold, hard-headed economic perspective, Europe cannot afford to allow the skills and energies of so many of its people to be wasted. That is why the S&D Group has developed and campaigned for clear economic and social strategies to enhance growth via public and private investment.

As social-democrats, our highest priority is job creation. We believe that policy mistakes made by the EU and some national governments have made the recession - caused by the global banking crisis of 2008 - longer and deeper than it need have been. The EU is finally seeing signs of a slow recovery but much more needs to be done to ensure that it is sustained - and that it is not a jobless recovery.

That is why the S&D Group in the European Parliament has launched the Jobs Initiative – an examination of European employment policies to see what is working, what is not working and what more can be done. We consulted with employers, trade unions, academics and civil society organisations. They gave us many good insights into the importance of, for example, skills, investment, entrepreneurship, innovation, work organisation and social dialogue in building a job-rich recovery. We have taken up many of their ideas.

We both visited many companies-big and small- all over Europe and have experienced first-hand the enormous creativity and quality of our European workforce. Time and again we were confronted with the fact that research, education and training are the basis of our industrial success.

Many start-ups are an expression of the determination of our younger generation to use their skills and to try to create new businesses and new jobs. But we need stronger efforts from our governments and the EU to support the initiatives of our citizens. With a common European economic and industrial policy many more of these initiatives could be created and succeed.

This booklet follows on from our consultations and sets out the S&D Group's ideas and proposals. We do not believe that we can solve Europe's problems overnight, but we strongly believe that these changes will set Europe in the right direction, to put an end to the economic and social evil of mass unemployment.

We want to thank the MEPS and staff involved for all their work but also the stakeholders for engaging so enthusiastically with the initiative, helping to develop new ideas.

More than anything else we hope that the briefings reflect the political aims we are all dedicated to: putting Europe back to work.

Hannes Swoboda
President of S&D Group

Emilie Turunen
Chair of S&D Jobs Task Force

INTRODUCTION

A STRATEGY FOR JOB

27 million Europeans are unemployed. The longest recession since the 1930s is slowly giving way to the weakest of recoveries. Inequality is rising, living standards falling. More and more workers are in precarious, insecure jobs. Real wage levels - even in the strongest economies - are lower than a decade ago. Something has gone badly wrong - that's why the Socialists and Democrats want a far-reaching shift in EU policy, in order to create more and better jobs, and to put Europe on a more credible path to 21st-century growth and competitiveness.

With so many Europeans unemployed, and a workforce which will grow by another 10 million by 2025, Europe urgently needs to create more jobs. Just to halve the unemployment rate in the next decade, the European Union needs over 20 million new jobs.

The biggest step towards that target will be to restore growth but that won't be enough on its own. Jobless growth remains a real risk and there are also dangers that Europe could be heading back to the future: back to the same credit-fuelled, unstable, unbalanced, highly unequal economic model that caused the financial collapse of 2008 and the longest recession in decades.

EUROPE NEEDS A NEW WAY, NOT A RETURN TO THE BAD OLD WAYS

Without growth there will be no end to mass unemployment. But for sustainable growth, generating secure and worthwhile jobs, it can't just be any old growth. We must not repeat the mistakes of the past. We must not go back to the pre-2008 model of growth built on credit bubbles and a super-sized financial sector. To build a more secure, more inclusive, more sustainable future, Europe needs a social, economic and industrial strategy that rebalances the European economy to meet the needs and challenges of the 21st century.

FIRST, RESTORE GROWTH

The EU has been in recession since 2008. In 2014, most forecasters predict a slow improvement in GDP of around 1%. But this feeble and fragile growth is not a recovery. Fiscal austerity will still hamper growth, especially in the most crisis-hit countries. Employment is not forecast to rise and unemployment is expected to remain at record levels for a sustained period.

Restoring growth will require a significant increase in public and private investment over many years. We suggest increasing public investment by €194 billion annually, equal to 1.5% of GDP, between now and 2020 in order to fulfil EU commitments both on employment and on sustainable development - our two most urgent challenges. This investment will cover transport infrastructure, energy renovation of residential and other buildings, expansion of renewable energy capacity, and improvements to the electrical grid.

This increase in public investment is expected to provide a strong boost to GDP through an immediate positive effect on aggregate demand and output, and a sustained improvement in the productivity of private companies, via the gradual increase in the public capital stock. This would, in turn, help governments to cut budget deficits instead of relying almost exclusively on austerity measures. In the euro area as a whole,

GDP would rise by 2.4% compared to its baseline level in 2016 (see figure 50, p. 127, iAGS 2014).

The boost to employment is particularly impressive - almost 3.5 million people getting back into employment in the euro area in just the first three years alone. Similar research done by the Danish institute ECLM last year indicated an increase in EU-27 employment by 5.8 million people by 2019.

FROM A GROWTH STRATEGY TO A JOBS STRATEGY

An investment plan alone is not sufficient to ensure that economic recovery is translated into job creation. We also need policies that allow job-rich sectors to flourish and that maximise job creation across the board. Six years into the crisis, Europe shows no signs of undertaking the rebalancing we need in order to build a more secure economic future. This has to change. The S&D Group will work to create an economic environment that supports productive industry and services rather than an overgrown financial sector, and that promotes a more inclusive, more equal economic future.

We believe that industry has suffered from years of policy neglect and that a rebalancing is desperately needed. A special emphasis must, therefore, be placed on a potential re-industrialisation strategy. At the same time, an effective employment strategy must take into account the needs and potential of all sectors and the interdependence between them.

Public services, for instance, employ around 65 million people in Europe and invest more than €500 billion a year - around 22% of all investment.

We believe that the social economy sector has an important contribution to make to building a more inclusive and cohesive European economy. We want to see the EU develop a more active dialogue with this sector on how to maximise its potential and we will push strongly for the implementation of the European Commission's social investment agenda.

Industrial policy will need to take into account the whole value chain and pay attention to the connections between manufacturing and services, through multi-sectoral industrial policies. The aim would be to promote investment in growth sectors; to anticipate and manage change in declining sectors; and to address labour replacements needs in all sectors.

The main action will need to be taken at a national and regional level. EU co-ordination, notably through the European Semester, should focus more strongly on promoting economic and social convergence. In place of the lip service now paid to employment in EU economic governance, policies to promote full employment and the rebalance of the European economy should have a central role. All policy instruments - macroeconomic, trade, industrial, competition, innovation, regional, employment, research and education policies - should be coordinated with European strategic platforms created for promising sectors.

INNOVATION AND RE-INDUSTRIALISATION

The industrial sector employs 57 million people in Europe -that's one in every four jobs-and generates many more jobs in related services. It has a vital role to play in Europe's economic future. To create jobs Europe must take action. We cannot and should not do that by trying to compete in the global economy on the basis of low wages and low environmental and social standards. The only way Europe can stay competitive is by being the smartest, fastest-moving, most innovative economy in the world.

Innovation is, therefore, at the heart of Europe's economic future and the key to the creation of high quality jobs for new generations. Without innovation, Europe cannot grow and cannot compete. The economy depends on the emergence of new technologies developed in the industrial sector. We cannot hope to have an innovative, competitive, knowledge-based economy without them.

A LABOUR MARKET FOR THE 21ST CENTURY

Reforming our industrial policies, helping businesses to grow and matching skills with jobs is not sufficient. Europe's future lies in the transition to a greener, more sustainable industrial model but also in securing a labour market which is not socially corrosive.

More and more Europeans are in precarious jobs. European and national law has helped make this insecurity a pervasive feature of the European labour market, driven by a belief that liberalising the labour market and reducing employment protection would create jobs and help firms prosper. We believe it fails to meet the needs of modern businesses, which succeed best with skilled, committed staff.

GETTING PEOPLE TO JOBS AND JOBS TO PEOPLE

There are dramatic differences in unemployment and in income and productivity levels between different EU member states and regions. This lack of convergence-in defiance of the founding objectives of the European Union-is a great social evil. Economically, it underlies the fragility shown by the Economic and Monetary Union in the face of the 2008 financial sector collapse. The future of the EU - as well as the prospects of millions of workers (often highly educated and skilled), whose chances of a job in the crisis-hit countries are currently very poor - depends on tackling the gap between prospering and lagging regions.

Finally, it is important to stress that Europe is part of a global economy. Its economic prospects depend on fair access to foreign markets and a level playing field in international trade. The position of the European Union as the world's biggest economy and biggest trading bloc gives it an important voice in writing the rulebook of globalisation, in ensuring that our trading partners dismantle obstacles to their markets, and that international trade is based on high environmental and social standards as well as respect for human rights.

01

A NEW DEAL FOR A SUSTAINABLE EUROPE

BACKGROUND

The EU has been in recession since 2008. In 2014, most forecasters predict a slow improvement in GDP of around 1%. However this cannot be called a recovery. Austerity policies continue to limit growth and unemployment has reached record levels, especially in crisis-hit countries.

This worrying prospect is the result of mistaken policy choices. **The independent Annual Growth Survey (iAGS)** for 2014, sponsored by the S&D Group and published by three independent economic institutes, showed that even a slightly slower pace of fiscal consolidation - reducing budget deficits by 0.5% of GDP each year, in line with Treaty requirements – would have already pulled the EU out of recession by 2012, and achieved higher growth and job creation. If, in addition, more vigorous action were taken to bring down interest rates in the crisis countries - through more active ECB intervention or through debt mutualisation measures - a further boost to growth and jobs would be possible.

The latest iAGS presented a growth and investment strategy in line with the EU's existing commitments on sustainable development, climate change, energy, low-carbon economy and transport. To honour these commitments Europe will need a significant increase in public and private investment for many years to come. However, fiscal austerity has instead radically cut investment, endangering the fulfilment of these commitments. Since 2008, European public investment has shrunk by 240 billion euros. The iAGS shows how re-expanding public investment could boost growth, create new jobs and help achieve key environmental goals.

PROPOSAL

We propose an increase in public investment of **€194 billion a year** between now and 2020 which will help meet the EU's energy & climate targets. This investment covers several areas, especially transport infrastructure, energy renovation of residential and other buildings, expansion of renewable energy, and improvements to the electrical grid. Comparable calculations made by the European Commission produced a similar result: an extra €200 billion of public investment needed by 2020, equal to 1.5% of GDP.

The iAGS shows that the increase in public investment will provide an immediate increase in GDP, both through an immediate boost to demand and output and by raising the productivity of private companies. Faster growth would, in turn, help governments to cut budget deficits. In the euro area, GDP would be 2.4% higher than on present policies by 2016.

The impact of the Green New Deal on job creation is impressive. As a direct result, almost 3.5 million people could find jobs in the euro area alone in the three first years. Similar research by other sources indicated that by 2019 the increase in employment across the EU would be around 5.8 million people (ECLM, 2013).

FINANCING

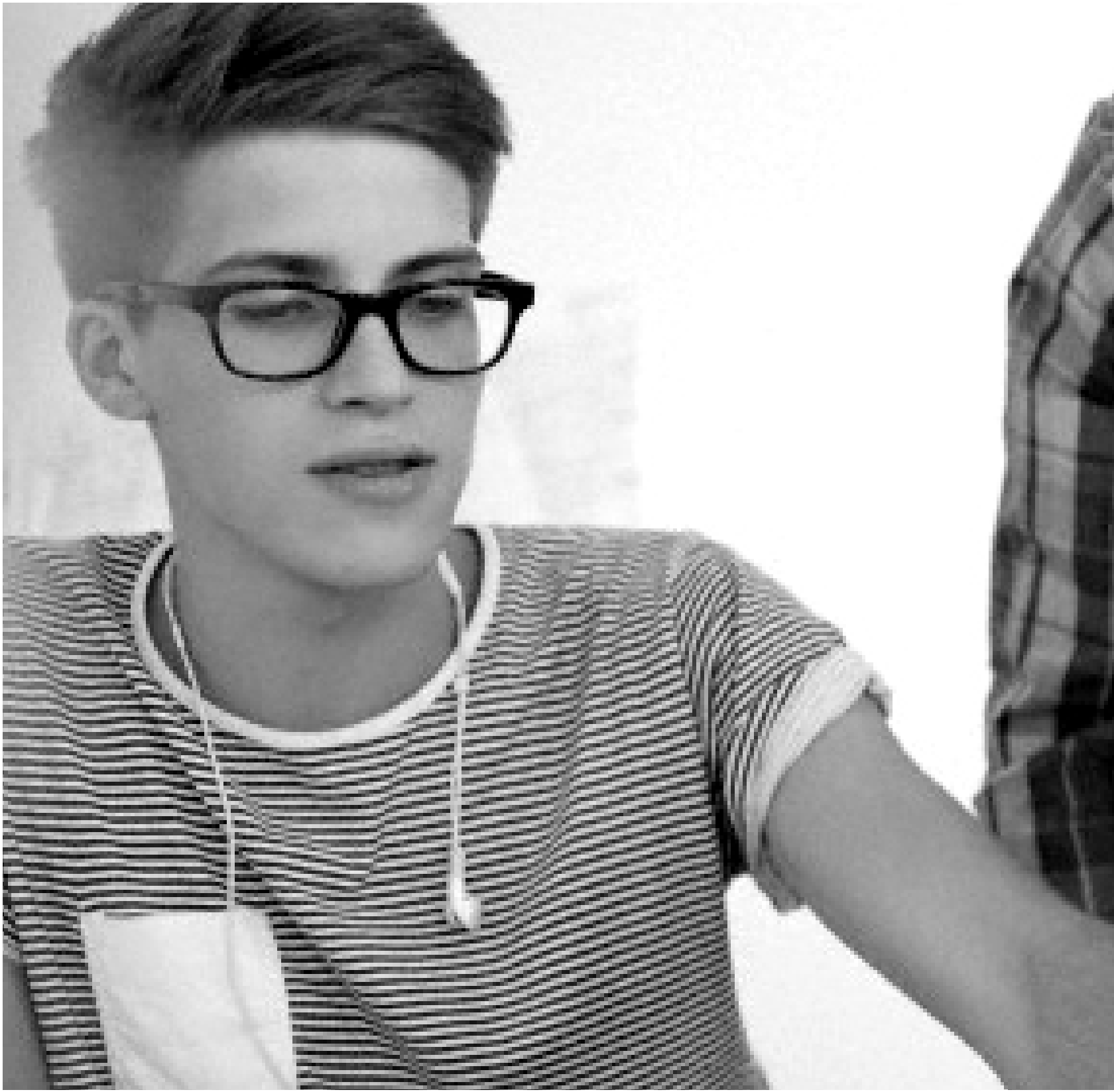
New public investment would largely come from new borrowing under a reformed European Stability and Growth Pact, which lays down fiscal rules for governments. The EU pilot schemes for Project Bonds that mobilise public and private funding for green investment should be expanded, and to reverse a damaging bias against much-needed investment, the reformed pact should distinguish between "productive investment" and other public expenditure for which strict rules should apply.

As part of the so-called two-pack regulations, the European Commission already acknowledged the relevance of such an approach. However, it has yet to be formally used. By defining a New Deal for a Sustainable Europe at the highest political level, the European Council should give a clear mandate to the European Commission and to the Council to exclude productive government investment made within the context of this plan from calculations of excessive deficits.

WHAT WE PROPOSE

€582 BILLION OF GREEN INVESTMENT, CREATING 5 MILLION JOBS IN ITS FIRST 3 YEARS

- **An investment plan of €194 billion annually in transport infrastructure, energy efficiency, renewable energy and network connections running from 2014 and up to 2020**
- **3.5 million new green jobs in the eurozone in just three years, and up to 5 million across the EU**
- **Expand the EU's Project Bonds for green investment**



02

INVESTING IN YOUTH

BACKGROUND

Tackling youth employment is the S&D Group's most urgent priority. We will take strong action to create decent jobs for young people. Employment is a precondition for growth, sustainable development and social cohesion, but for social-democrats it is more than that. The chance for everybody to find a decent job is for us an essential hallmark of a civilised society.

In this respect, the current leadership is failing Europe. The global financial and economic crisis has led to a dramatic rise in unemployment among young people and the crisis is far from over:

- In November 2013 youth unemployment reached a new historic high of 24 % - more than twice the adult rate. That means 5.7 million young people with no job.
- Among the low skilled, EU average youth unemployment is 30%
- In Greece the equivalent figure is 59 %, Spain 57% and Italy 41%

WHAT WE HAVE ACHIEVED – GETTING THE YOUTH GUARANTEE IN PLACE

Since 2010, the Socialists and Democrats have campaigned for a European Youth Guarantee - the principle that every young person should be guaranteed an offer of good-quality employment, training or education within four months of becoming unemployed or leaving education. After three years of resistance, or simple lack of interest, the Council of Ministers were finally persuaded to take up our proposal.

The good news is that every EU member state has now agreed to implement the European Youth Guarantee. The bad news is that the initiative is under-budgeted. The Parliament reached a deal with the Council of Ministers to allocate €6 billion - but according to the ILO (International Labour Organisation) at least €21 billion is needed to fund the Youth Guarantee properly in the Eurozone alone.

A EUROPEAN YOUTH GUARANTEE THAT WORKS

The S&D Group is calling for a proper implementation of the Youth Guarantee. At least four actions are needed:

1. A substantial increase in funding of the European Youth Guarantee. The ILO has called for a budget of €21 billion, while the current budget is €6 billion. We want the member states to make full use of the €6 billion already allocated but also make use of part of their European Social Fund allocations. In 2016, when the EU's long-term budget is revised, more European funding should be allocated to the Youth Guarantee.

2. All member states must implement the Youth Guarantee properly. The Commission should report publicly each year on the state of play in each country and recommendations on the Youth Guarantee must be included in the European Semester.

3. The Youth Guarantee has a strong focus on education and training for the young unskilled or low skilled unemployed. But we want to ensure that young graduates and those who have already done vocational training are also covered. That's why we propose the Europe-wide use of "Ice-Breaker Schemes". These

would give young unemployed people practical work experience. They would be recruited by companies for 6-12 months to solve a specific problem, centred on innovation and development. It could be the development of new products, the introduction of new technology, reaching new markets, or gathering knowledge about design or branding etc. The European Social Fund (ESF) would help set up these schemes, particularly in the countries with more than 25% unemployment, with member states covering temporary wage subsidies.

4. Extension of the European Youth Guarantee from the under-25s to every unemployed worker under 30 years old, to reflect the reality that many graduates and young newcomers in the labour market are in their late 20's.

GOING FURTHER – RESHAPING THE LABOUR MARKET FOR YOUNG PEOPLE

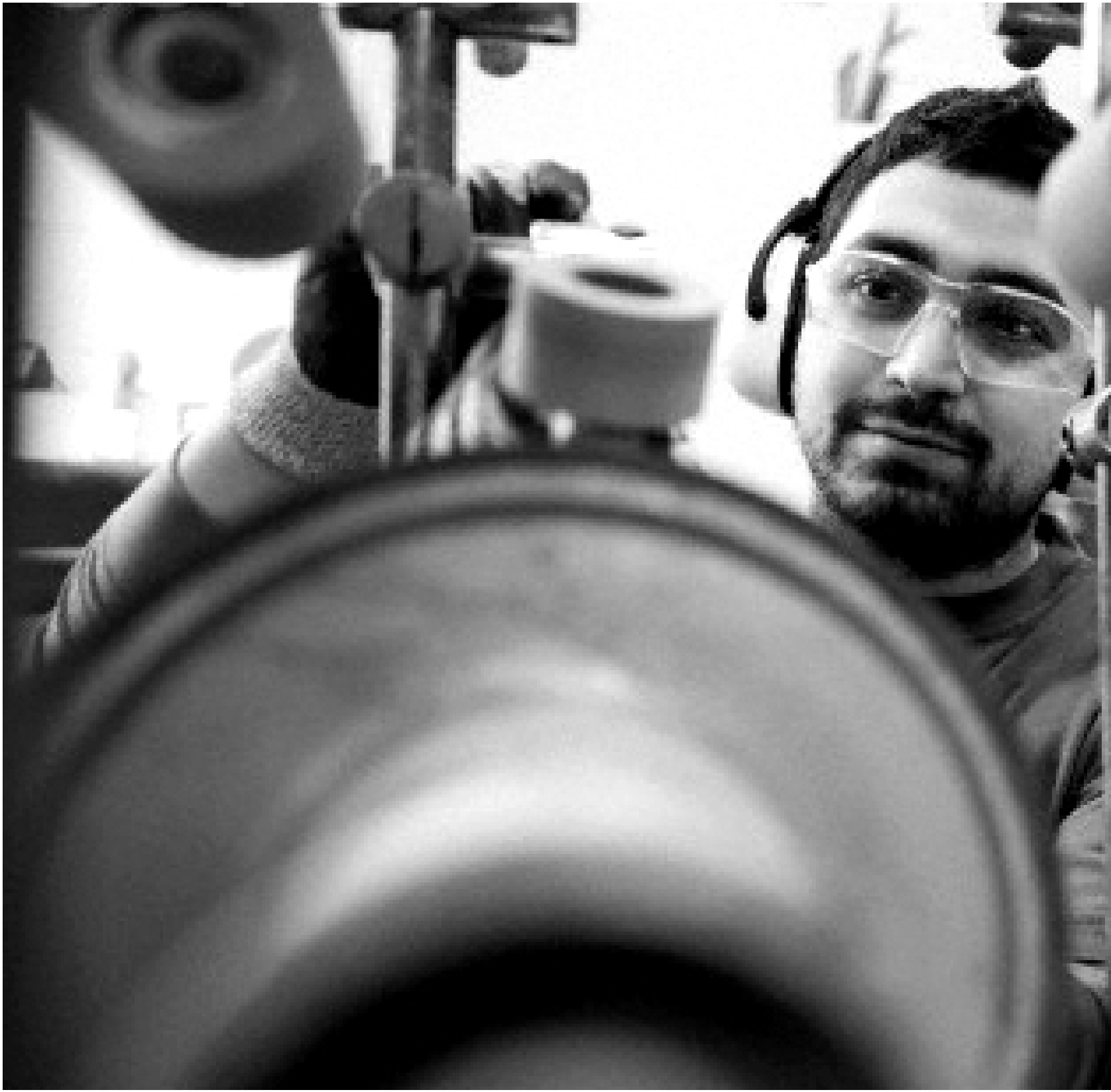
Securing the full implementation of the Youth Guarantee is not enough. Europe's youth face the rising challenge of job precariousness and insecurity. Too many young people are trapped in unpaid internships or short-term contracts without the same rights as their older colleagues. We want to ensure decent jobs for Europe's young workers.

- European legislation on minimum norms and standards for internships, including time limits, principles of decent remuneration, social security benefits and a clear links to relevant educational programmes. All work-based learning should meet the ETUC quality framework for apprenticeships & work-based learning.
- Promote collective bargaining at European, national, sectoral and company level to back the demands of young people for decent jobs and living wages. This includes strong support for the role of trade unions in informing young people of their rights as workers and for the unionization of young workers, an essential safeguard to empower workers, protect them against abuse and exploitation and give them access to better working conditions, better pay, more security and better career opportunities.

WHAT WE PROPOSE

INCREASE FUNDING FROM €6 BILLION TO €21 BILLION

- **Increase the European Youth Guarantee from €6 billion to €21 billion and ensure more funding for the Youth Guarantee in the next budget revision in 2016**
- **Extend the Youth Guarantee to unemployed workers aged under 30**
- **Annual public 'name & shame' report on the implementation of the European Youth Guarantee in all EU countries**
- **6-12 month "Ice-Breaker Schemes" to allow unemployed graduates and skilled youth to work on innovative projects in companies**
- **EU minimum standards for internships, including time limits, decent remuneration and clear links to educational programmes**



03

RE-INDUSTRIALISING EUROPE

BACKGROUND

57 million Europeans are employed in industry. In addition, each job in industry creates approximately two extra jobs in related services. EU industry accounts for roughly a third of gross added value in the EU, with almost 75% of European exports being made up of industrial goods. It represents a third of employment and accounts for 80% of R&D spending.

There can be no doubt that industry has a vital role to play in Europe's economic future. To ensure that economic recovery leads to job creation, Europe needs policies that allow job-rich sectors to flourish and that maximise employment creation across the board. But after years of declining industrial development in Europe, the S&Ds want to put a special emphasis on developing a re-industrialisation strategy.

CHALLENGES TO EUROPEAN INDUSTRY

EU industry is deeply affected by accelerating changes in the developing global economy. The boundaries between developed and developing countries and their traditional dominant sectors are changing daily through intensifying competition. Demands in the global market are rapidly evolving, offering new opportunities to European industry while at the same time requiring business re-orientation, restructuring and re-specialisation. The new international division of labour with fast-growing economies like China, India, Brazil and Russia increases the pressure of globalisation. The expanding industrial bases in emerging countries increasingly challenge European industry. A re-industrialisation of Europe must, among other things, take into account the following 'grand challenges':

- The EU's major competitors such as the USA, Japan and China are pursuing an active industrial policy supported by broad investment in leading-edge products and services.
- A new form of globalisation is taking place. We are progressing towards a global knowledge-based society where innovation and research outweigh manpower and manual labour as the driving force for growth and competitiveness.
- Climate change is irreversible. It has to be addressed through mitigation and adaptation measures in all relevant sectors of the economy. Industry needs to move towards carbon-free and resource-efficient production.
- The continuing changes in industry require not only graduates but also skilled workers with strong manual skills and a vocational training background; their employment must be a priority.

To meet these structural 'grand challenges' European industry must move towards a high level of R&D investment, faster and more far-reaching innovation, better access to finance, resource-efficient production, renewable energy supply, and a strategy to ensure a supply of skilled workers. This will not happen without a strong political commitment.

POLITICAL COMMITMENT

Due to the neglect of industrial policy, Europe has fallen behind many of its competitors. A new, sustainable industrial policy needs public authorities that dare to set clear objectives and concrete goals, so Europe can once again become a key industrial power that shapes global industrial practices. The S&D Group want an ambitious European industrial policy, in which public policy will play a dynamic role in driving innovation. For many years, the EU and most of its member states have confined public policy to a very limited role, relying on the supposed "dynamism' of the private sector. But the experiences of the most successful, most innovative and highest-performing countries, in Europe and across the world, show the need for a far stronger public role.

In the USA, Germany, Brazil, Israel and China - public investment and the creation of the right regulatory environment have been at the heart of strategies which have created highly profitable, world-leading industries. The EU needs a strategy that secures a strong European presence in emerging technologies and also strengthens our position in existing production sectors. A re-industrialisation strategy must be a broad policy vision combining innovation- and investment policy, infrastructure and energy policy, education and training programmes, and a clear and supportive regulatory framework. Additionally, its priorities must help Europe face up to the social, economic and environmental challenges of the 21st century.

The main tasks lie at national, regional and sub-regional level. But a new, sustainable industrial policy must be strongly supported by EU coordination. All policy instruments - macroeconomic, trade, industrial, competition, innovation, regional, employment, research and education policies - should be coordinated with European strategic platforms created for promising sectors.

Furthermore, industrial policy must take into account the whole value chain and the connections between sectors, for example, between manufacturing and services. We know that the sectors with the fastest growth and job creation potential are health, social services, domestic care and education, which reflects the changing nature of our society. Sectors like these not only have enormous potential for innovation but they are an essential part of our vision of society and our economy, and have a key contribution to make to the success of European industry. Policy should promote investment in growth sectors; anticipate and manage change in declining sectors; and address labour replacements needs in all sectors. To ensure an ambitious multi-sectorial industrial policy for Europe the S&D Group proposes:

- Establish a permanent Industrial Policy Task Force, responsible for co-ordinating and adapting the direction and the measures under the new integrated European industrial strategy

INNOVATION AND RE-INDUSTRIALISATION

Low wages and low environmental standards cannot be the basis for competing in the global economy. Europe must become the smartest, fastest-moving, most innovative economy in the world. Innovation and research is at the heart of Europe's economic future and the key to the creation of high quality jobs for following generations. We cannot hope to have an innovative, competitive, knowledge-based economy without industry, because it is in the industrial sector that the key emerging technologies are developed on which the whole economy depends. The S&D Group proposes:

- Increase R&D funding from 1.8% to 3% of EU GDP.
- Take R&D investments out of "excessive deficits" calculations.

ACCESS TO FINANCE – ESPECIALLY FOR START-UPS AND SMES

European industrial policy must pay special attention to the needs of small and medium-size firms who are a major source of new jobs. In particular there must be a targeted policy to encourage young and innovative companies to flourish, eliminating barriers to start-ups, access to finance and participation in EU programmes. The S&D Group proposes:

- Banks should be obliged to devote a certain proportion of their lending as loans and equity capital to productive companies.
- The Risk Sharing Financial Facility has proven to be a successful EU mechanism for providing research funding via the EIB. Significantly more funds should be made available to promote high-risk innovative projects.

RESOURCES AND ENERGY

Economic growth can and should be decoupled from increased use of resources. In the last decades, labour productivity has developed at a much faster pace than resource productivity (energy and materials). In industry, it has been estimated that labour costs represent less than 20% of a product whilst materials costs represent 40%. Increased resource productivity and efficiency, re-use and recycling of raw and auxiliary materials and supplies is already strengthening the global competitive position of European industry.

By 2020 we should double resource productivity. The extraordinary potential for job creation and cost reduction benefits is undeniable.The adoption of resource efficiency targets, standards, incentives and benchmarking mechanisms that ensure resource efficiency improvement will benefit almost all industrial sectors.

The S&D Group proposes:

- A new directive on resource efficiency.
- A broader 'raw materials' strategy, no longer limited, as at present, to 'critical raw materials'.
- A clear and binding framework for the 2030 energy and climate targets.

MODERN INFRASTRUCTURE

The strengthening of industrial policy also requires more investment in modern infrastructure. This goes from expanding traffic networks to smart grids for power supply and more investment in broadband. Therefore, the Connecting Europe program in the EU budget is vital. We particularly want to ensure investment in infrastructure facilities in the fields of research and energy, ICT, telecommunications and transport infrastructure – the 'public utilities' that make up the corporate environment. To this end, the S&D Group proposes:

- To strengthen the Project Bonds scheme further to enable the Union to fund large-scale innovation, infrastructure and re-industrialization.

SKILLED WORKFORCE

To ensure high productivity and added value Europe must invest in creating the strongest and smartest skilled workforce it possibly can. Europe must raise education and training standards to ensure the best-educated generation ever, meet lifelong learning targets, and tackle skills mismatches by adapting our systems to a future of rapid change. To build an innovative economy, we need to become a learning society. When investing in skills the demands of the labour market and society must be taken fully into account. Europe faces a severe shortage of skills in science, technology, engineering and mathematics. To ensure a strong industrial base these skills must be available. The S&D Group proposes:

- Special assessment of the skills needed in industry when drawing up the European Skills Panorama – an intensive system for the examination of present and future skills needs. Ensure that these are disseminated widely among decision-makers in public authorities, education and training and employers.
- Co-ordinated initiatives to improve the teaching of STEM subjects (science, technology, engineering and mathematics), and to promote the exchange of best practices.
- Up-skilling the existing workforce with particular focus on the low-skilled.

REGULATORY FRAMEWORK

Europe must take the lead in the smart regulation of industrial processes and products. The REACH regulation on chemicals is a good example of this and the same approach should be applied for sustainable energies. The further ahead Europe is on such regulations, the more we can influence global rules. A strong relationship between our commitment to innovation on the one hand and sustainability and environmental protection on the other hand is crucial. Making full use of the single market in standard-setting processes, working on smart taxation and a lighter regulatory regime for SMEs are also important factors to the success of European industry.

TRADE

Since the financial crisis Europe has begun to understand that our economic strength, jobs and wellbeing depend on a strong European industrial sector. International trade regulations and agreements can have a major impact on our industry, for good or bad. Trade policy should provide fair access to key and growing markets and a level playing field for our industry. Future trade agreements have to be part of an industrial strategy based on fair competition.

Trade policy must be used as a means of promoting high social and environmental standards worldwide, rather than an opening for social and environmental dumping. That's why will insist on these principles in every EU trade agreement:

- Strict and binding labour, environmental and human rights clauses.
- A ban on unfair trading practices, such as export dumping, export subsidies and currency manipulation.
- Impact assessment to determine their likely impact on jobs, growth, the environment and social standards.

The S&D Group also call for a legally binding annual Corporate Social Responsibility reporting system for all big companies which operate within the EU.

The S&Ds support the EU-US negotiations on a transatlantic trade agreement. Together, the EU and the US account for almost half of the world's economy and one third of world trade. On both sides of the Atlantic, around 15 million jobs are dependent on that trade. We want to see an agreement which creates high-quality jobs, benefits EU consumers with cheaper prices and better quality, and opens opportunities for EU industries and companies to sell their goods and services in the US, while rejecting the proposal to give companies the power to sue governments if policies affect their business interests.

WHAT WE PROPOSE

BOOST INDUSTRY FROM 15% TO 20% OF THE EU ECONOMY

- A permanent EU Industrial Policy Task Force to increase the share of industry from 15% to 20% of the European economy
- Strengthen the Project Bonds scheme to fund large-scale innovation, infrastructure and re-industrialisation projects
- Special assessment of the skills needed in industry in the European Skills Panorama
- Use trade agreements to boost European job creation while safeguarding social and environmental standards and ensuring fair competition and strong consumer protection
- Fully implement the European Commission's social investment agenda

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04

HELPING COMPANIES TO CREATE JOBS

BACKGROUND

To reach full employment, Europe needs to create over 20 million jobs in the next ten years. Most of those will need to come from private firms. What is currently preventing them from creating enough jobs and what could be done to help them create a greater amount in the next few years?

According to companies themselves, the biggest obstacles that they face to investing, growing and taking on new workers include:

- Weak consumer demand
- Access to finance
- Production costs
- Regulatory issues

The S&D Group has a number of proposals to tackle these obstacles and to make it easier for firms to get started, grow and create jobs.

1. BOOSTING CONSUMER DEMAND

Firms say that the biggest obstacle to investing more and taking on more workers is weak consumer demand. The biggest reason for this, of course, is the current recession compounded by austerity policies. Social-democrat policies target a much stronger consumer demand. We have an alternative strategy for economic recovery, based on a co-ordinated programme of investments that will stimulate private companies to invest more and take on new employees.

2. IMPROVING ACCESS TO FINANCE – ESPECIALLY FOR SMALL AND MEDIUM-SIZED FIRMS (SMES)

Next to lack of demand, business surveys consistently identify poor access to credit as the biggest obstacle to growth and employment, especially for SMEs, who are the EUs biggest job creators. It is an even bigger problem for those trying to start a new business - 80% of start-ups have highlighted lack of credit as a major problem.

But Europe's problem is not shortage of finance. It is the misallocation of finance due to a malfunctioning financial sector, and the prevalence of a financialised business model which emphasises short-term returns over long-term investment. One result is that despite big companies sitting on record cash piles, and banks profiting from sustained cash injections through "quantitative easing" by the European Central Bank and other central banks, little of that money is finding its way into productive investment in the real economy. Even less finds its way into smaller companies, or into funding for innovation, which can take several years to bear fruit.

It is vital to rapidly restore normal bank lending conditions across the EU, and to strengthen non-bank financing. Rapid completion of the European Banking Union will be an important step. The new SME finance initiative, blending EU budget resources with European Investment Bank lending must be swiftly implemented with the participation of a large number of member states. To improve access to

venture capital for start-ups, the European Union must give higher priority to breaking down the barriers to EU-wide venture capital markets.

RE-ORIENTING FINANCE TOWARDS THE PRODUCTIVE ECONOMY

The S&D Group wants to see the continued reform of the financial sector. We are pressing for changes to the structure of the financial sector and to the pattern of rewards and incentives, with the aim to reorient finance towards its classical mission of providing finance for the real economy. 71% of external funding for SMEs comes from bank loans and overdrafts. Banking regulators need to do more to encourage long-term lending to non-financial businesses and in particular to smaller firms, and fiscal incentives should be used to mobilise the huge pool of unused savings into productive lending.

BETTER USE OF EU FUNDING

The EU budget and the European Investment Bank can also play an important role in expanding credit to fund investment and employment, building on successful experience over the last few years:

- The EU's COSME programme (Competitiveness of Small & Medium-sized Enterprises) has secured €2.3 billion over the next seven years for venture capital and guarantees for SME investment, expected to generate around 200,000 jobs.
- The Horizon 2020 programme provides funding for research and innovation.
- EU Regional Funds have provided €27 billion to SME's since 2007 and this continues to be a key objective of regional policy, in order to promote productivity growth and economic convergence across the EU.
- The Employment and Social Innovation programme provides micro-finance to micro-entrepreneurs shut out by the conventional banking system.

The S&D Group supports a wide range of further measures to improve SME access to finance, including the development of European Social Entrepreneurship Funds, dedicated markets and networks for SMEs, common standards for credit scoring, and the encouragement of supply-chain finance and other non-traditional sources of funding, subject to proper transparency and regulatory oversight.

3. BRINGING DOWN PRODUCTION COSTS

In a competitive world, companies must strive constantly to keep production costs down. To Europe's right-wing leaders that has meant one thing above all: keeping down wages. That is not only a simplistic approach; it is also a strategy that has increased inequalities.

MATERIALS

In many industries labour costs, though still important, are not the biggest concern. In manufacturing, for instance, German estimates show that on average materials account for 40% of costs compared to around 20% for labour. The S&D Group has called for a comprehensive European raw materials strategy - wider than the European Commission's current "critical raw materials" strategy - with an EU action plan to double resource productivity by 2020. The strategy should ensure adequate access to raw materials at fair prices, through fair trade agreements, strategic partnerships and a greater use of recycled materials.

ENERGY

High energy costs also demand urgent action. Recent figures show that better insulation of industrial buildings could save European industry €3.5 billion a year and that wider use of renewables could cut fuel imports by €300 billion a year. The EU is a strong advocate of ambitious targets on energy efficiency and sustainability, pushing for a binding target of a 45% share for renewables in energy supply by 2030 and enforceable energy efficiency targets.

LABOUR

We want tax policies in Europe that encourage job creation while ensuring appropriate financing of common goods. The tax burden on labour, in particular social security contributions paid by employers, affects the cost of labour for employers and hence the demand for labour. Two important changes could have a big impact:

- Shift the tax base from income taxes towards energy and property taxes to encourage growth and jobs while ensuring a progressive socially just system.
- Remove barriers for SMEs to hire new staff: social security should primarily be financed via direct taxes instead of company-based contribution schemes that might hinder job creation.

INFRASTRUCTURE

Finally, the EU and member states can make a big contribution to lower costs for companies through investing in high-quality infrastructure - especially transport, telecommunications and, above all, a high quality education and training system which cuts labour costs by boosting labour productivity and promoting innovation and creativity.

4. DEAL WITH REGULATORY ISSUES

Regulatory problems and administrative burdens are the fifth most cited obstacle, according to surveys of business opinion. The Socialists and Democrats are committed to doing away with needless or burdensome red tape, while safeguarding important social and environmental standards and ensuring probity and transparency.

A STRATEGIC APPROACH

In 2007, the European Union set a target of cutting the administrative burden from EU legislation by 25%. In the following five years this target was met by simplifying and streamlining measures, such as moving to web-based reporting and cutting out overlapping information. This has saved companies an estimated €31 billion. Although this is a good start, the S&D Group want a far more comprehensive and strategic approach to eliminating unnecessary or badly designed regulation. Our strategy focuses on areas where there is scope for major gains for companies:

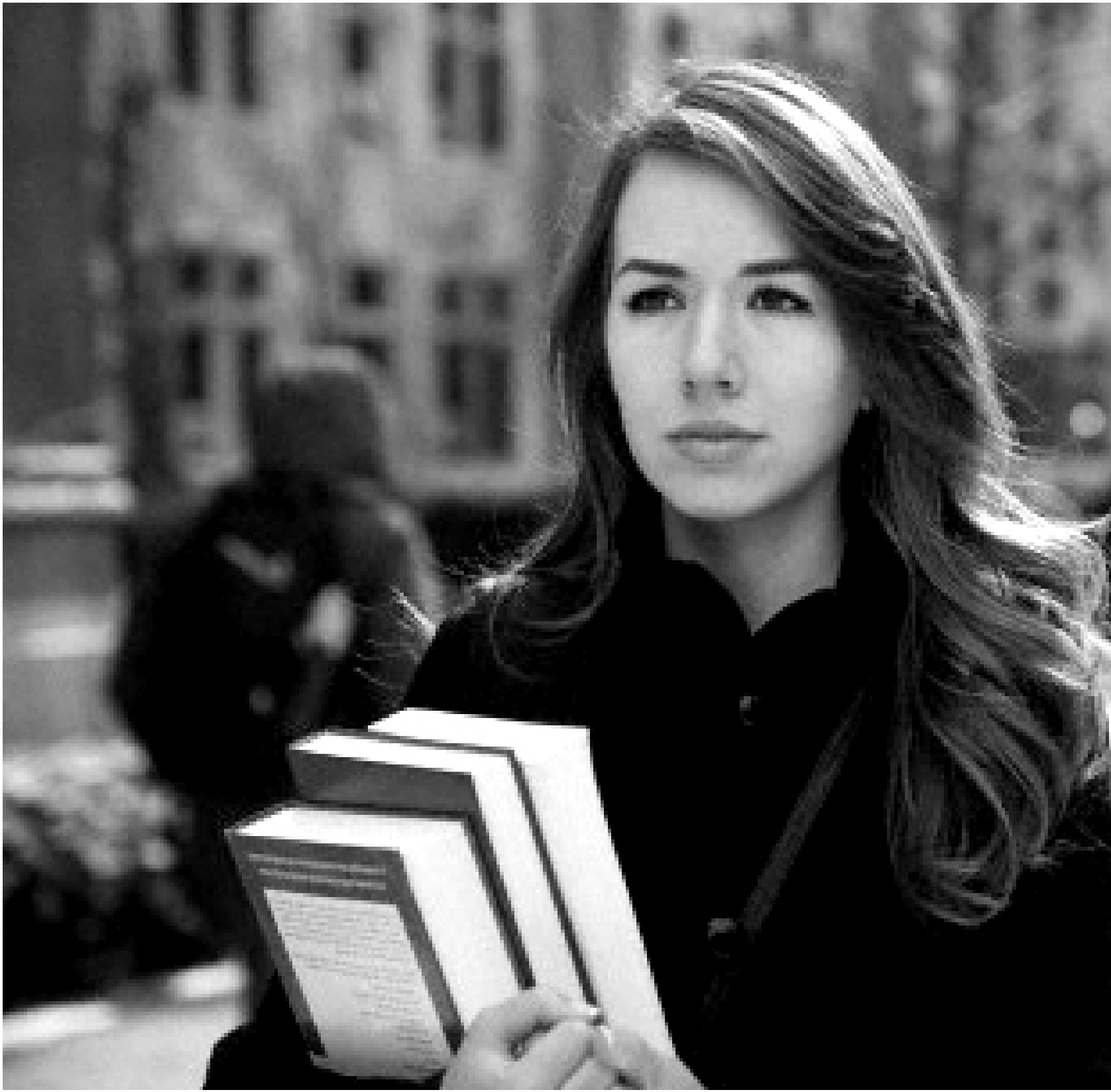
- **Completing the single market:** the single European market is the biggest and most far-reaching regulatory simplification of all time, replacing 28 sets of often conflicting national laws and regulations with a single set. The S&Ds will press to complete the single market, reducing costs and red tape and opening up a bigger market for European firms.
- **Taxation:** VAT imposes heavy administrative costs on companies. The Group believe there is scope for simplification and we want to see special efforts to lift the administrative burden on SMEs. We are also pressing for a Common Consolidated Corporate Tax Base across the EU, to simplify the task of complying with tax laws in 28 countries.

- **Late payments:** regulation can be used to make life easier for companies. 96% of bankruptcies result from late payments - the S&D Group will closely monitor the implementation of the recent EU legislation establishing strict rules on payments.
- **SOLVIT**, the EU's on-line network tackling problems of misapplication of Community law should be strengthened to respond more to the needs of companies. SOLVIT handles complaints from business caused by the misapplication of internal market law by public authorities. It handles around 1 300 cases a year, and finds solutions for 90 % of its clients within 10 weeks, without legal proceedings. However only 12% of cases come from companies and there is evidence that, because of understaffing, SOLVIT may be turning away some business-related cases as too complex.
- **Investing in social businesses:** in Europe, co-operatives, mutual societies, non-profit associations, and social enterprises represent 2 million enterprises playing a key role in our welfare system and provide work to over 14 million people. We want measures to ensure them better access to credit and tax incentives; a new, simple statute for European cooperatives; and increased funding for social businesses from the Structural Funds.

WHAT WE PROPOSE

LESS TAX ON JOBS AND INCOME, MORE ON SPECULATION, PROPERTY AND POLLUTION

- **Strengthen banks and unlock lending for companies**
- **Financial Transaction Tax and other tools to re-orient finance towards the productive economy**
- **Full use of EU funding for SMEs, including venture capital and project bonds**
- **Remove barriers for SMEs to hire new staff and primarily finance social security via direct taxes**
- **Invest in social businesses: improve access to credit and create a new, simple statute for European cooperatives**



05

INVESTING IN SKILLS

BACKGROUND

Action is needed to raise standards across European education systems, to ensure that our workforce is equipped to match the best in the world.

For many years the EU has had ambitious targets for education and training. Now it's time to get serious about harnessing the talents and energies of all Europe's people, to meet our needs for world-class industries and services. It's time to invest more in education and training.

Investing in skills is essential to combat unemployment, to provide wider access to high quality jobs and to provide firms with the high-skilled workers they need.

Europe must raise education and training standards to maximise the potential of its youth and workforce. It must meet lifelong learning targets and tackle skills mismatches by adapting our systems to a future of rapid change. Becoming a learning society, therefore, is key to building an innovative economy.

THE BEST-EDUCATED GENERATION EVER

Education is not only a guarantee of better life chances for the individual, it is also the key to ensuring a strong economy. Global competition constantly increases pressure on productivity in both industry and services. As a result, jobs for unskilled workers diminish, while demand for skilled workers and graduates increases. Europe cannot compete with developing economies on wages. We will need the best-educated generation ever to ensure the viability of our social-market economy. The Youth Guarantee is the first step to establish an ambitious framework for Europe's young but more steps must be taken.

Member States must deliver on the commitments to which they have already signed up:

- Invest at least 2% of GDP in higher education and 3% in research and innovation.
- Reduce early school leaving below 10%.
- Ensure at least 40% of 30-34 year olds complete third-level education.
- Reduce the number of 15 year olds failing basic standards of reading, mathematics and science; get at least 15% of adults into lifelong learning.
- Set ambitious targets for language learning.

Furthermore, the EU must adopt:

- An ambitious strategy to promote dual learning systems.

Member states should ensure that quality vocational education and training is available to increase the qualifications and employability of young people and reduce skills mismatches. In countries with effective dual learning systems, such as Austria, Germany and Denmark, youth unemployment is significantly lower than in most other EU countries. In the years to come the European Commission should have a larger strategic and financial focus on the European Alliance for Apprenticeships, which was set up in the summer 2013. Among other things, guidelines should be published regularly and the European Social Fund should support the establishment or improvement of dual-learning systems.

A EUROPEAN UP-SKILLING GUARANTEE FOR UNSKILLED WORKERS

Access to education and training for the less educated, the unskilled and the long-term unemployed must be improved. We want member states and the EU to take action and, in particular, expand on training for low-skilled workers over the age of 30 and for early school leavers.

Action is also needed to tackle under-investment in training by employers themselves. 38% of European employers provide no training at all for their employees. Employers should be providing more apprenticeships and traineeships. We need clear quality criteria to promote simpler procedures for firms offering work or training opportunities.

- Set clear goals on life-long learning beginning with a European up-skilling guarantee for unskilled workers over 30 years old. This right should be developed in line with the experiences from the European Youth Guarantee.
- Expand retraining and education for older workers in missing skills, such as languages and digital skills, to create opportunities for a longer working life.
- Recognise skills acquired via informal and non-formal learning.
- Ensure financial and active learning participation of employers in training programmes.

SKILLS MISMATCH

When investing in skills the demands of the labour market and society must be taken fully into account. Skills mismatch in the EU - the gap between employees' and jobseekers' skills and qualifications and those needed by the labour market - is increasing. One in every three European employees is either over or under-qualified. The problems are worst in countries which spend less on labour market programmes, and where there are barriers to accessing the labour market.

Overwhelmingly the biggest cause of unemployment in Europe is sheer lack of jobs. For 27 million unemployed, there are 3.3 million recorded vacancies - less than one job for every eight unemployed. In Spain and Greece there are 20 unemployed people chasing every job vacancy. This context is important. Skills mismatch is not the main cause of high unemployment. If an unemployed person filled every vacancy, EU unemployment would still be over 23 million. Europe's big problem is lack of jobs, because of a lack of growth. Nevertheless, skills mismatch makes a bad situation worse, and will be a growing problem as the economy gradually recovers. We need to recognise this.

Europe also faces a severe shortage of skills in science, technology, engineering and mathematics and an over-supply of social science graduates. By 2015, Europe will have a shortage of 900,000 ICT practitioners, 1 million research workers, and 2 million healthcare and ancillary professions - 15% of total healthcare needs.

There are three vital steps to reducing the inefficiency and misery caused by skills mismatch:

1. Better understanding of present and future skills needs. We suggest investing in an improved European Skills Panorama System based on an intensive system for examination of present and future skills needs. Decision-makers in public authorities, education and training and employers should be provided with the results.
2. Adapting and investing in high quality education, training and retraining systems and labour market services. Education should be recognised as essential investment and safeguarded from spending cuts.
3. Removing barriers to integration of marginalised groups into the labour market.

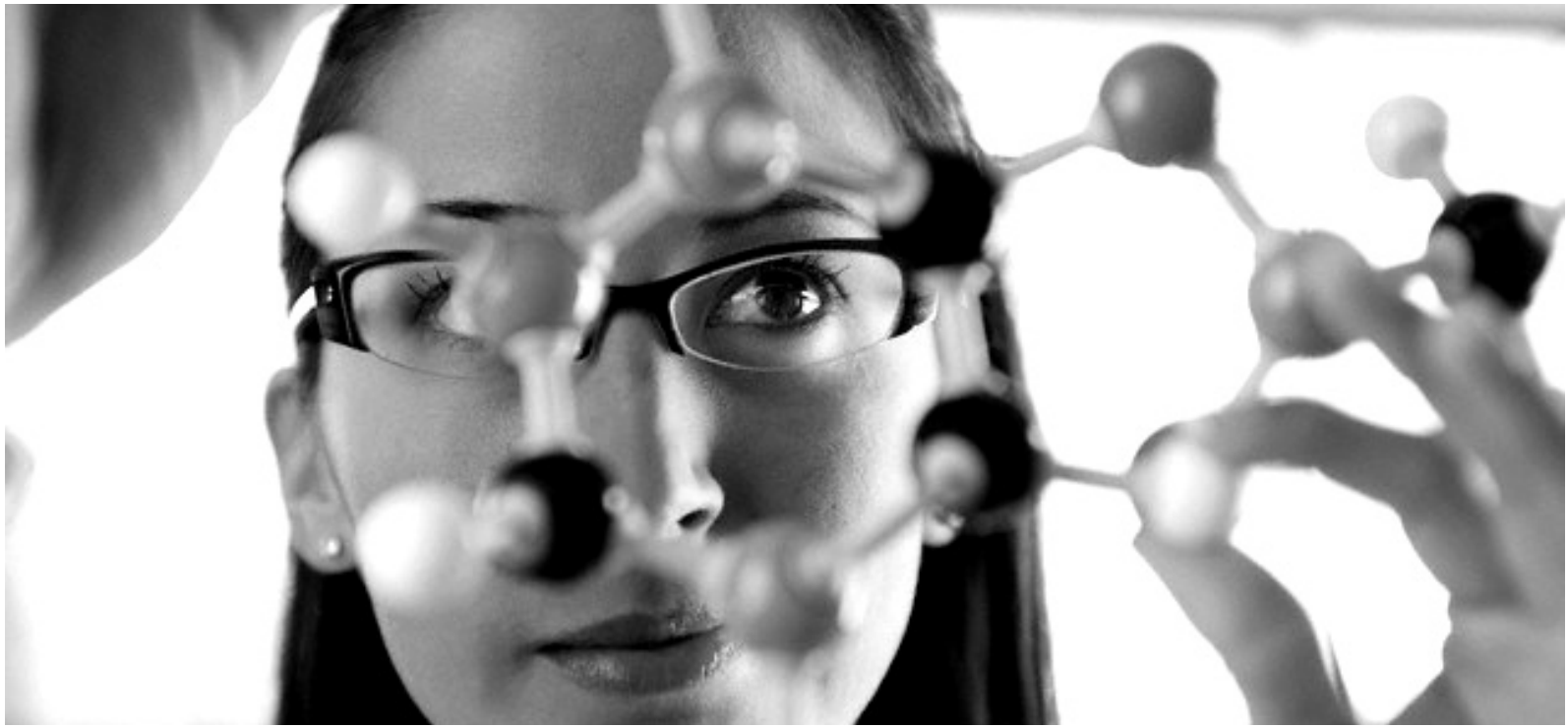
Investment is urgently needed to meet existing and predicted skills shortages. Drawing on a clear message from the stakeholders we consulted, we also want to emphasise that in a world of constant change, accurate prediction of skills needs in the workplace is impossible. Emphasis therefore must be given to key, transferable competences and to equipping workers with the capacity to continue learning throughout their working lives, including:

- Communication and languages - communication in a first and second language are essential skills. The lack of language skills is a major obstacle to free movement of workers and to the competitiveness of European businesses.
- Mathematics and ICT - 90% of jobs will require digital skills by 2020 and there will be up to 900,000 unfilled ICT-related vacancies in the EU by 2015.
- Creative skills - creativity is essential to the knowledge-based economy: the creative sector already accounts for 8.5 million jobs.
- Health care - in particular medical doctors, pharmacologists and nurses.
- Science, technology, engineering, and mathematics - these "STEM" skills offer good prospects for high quality, sustainable jobs in growing sectors.
- Entrepreneurial and social economy skills - entrepreneurship education should have more space in the basic education, vocational training and higher education curriculums.
- Teaching skills - action is needed to address the shortage of well qualified teachers and trainers.
- Adaptability - including the ability to accept change, to take responsibility and to work collaboratively.
- Ensure wider access and skills in ICT and new technologies for all, to improve employability and address Europe's shortage of digital skills.
- Mainstream gender equality, particularly in science, technology, engineering, and mathematics.

WHAT WE PROPOSE

A EUROPEAN UP-SKILLING GUARANTEE FOR UNSKILLED WORKERS OVER 30 YEARS OLD

- Dual learning systems, combining workplaces and classroom
- 2 % of GDP to higher education and 3% to research and innovation
- Reduce early school leaving from 15% to under 10% and make sure that at least 40% of young people have a degree or a diploma



06

A MODERN LABOUR MARKET FOR A MODERN ECONOMY

BACKGROUND

Europe's failure to create enough jobs, and the growth of insecurity and abusive working conditions, are policy failures. The Socialists and Democrats stand for very different values and a far reaching shift in EU labour market policy. We believe that promoting more secure employment, encouraging dialogue and partnership at work, and investing heavily in skills and innovation will play to Europe's competitive strengths, as well create more jobs and better quality jobs, enhancing the dignity of work.

Consider Europe's potential. We have the most educated workforce in our history, which is also - currently - the most educated in the world. Innovation and technical progress have raised productivity year by year. Our productive potential, our potential for prosperity and economic security, is greater than it has ever been. How is it possible that our economic performance is so dismal?

The problem of course is man-made. Europe has suffered no natural catastrophe, but has been in the grip of a wrong-headed and now failed free-market dogma, which saw workers as a cost to be driven down and employment protection as an obstacle to free market efficiency. This supposed drive for competitiveness, which has inspired two decades of deregulation, rests on a deep misunderstanding of how Europe can best cope with globalisation.

TREAT WORKERS AS AN ASSET, NOT A COST

To succeed in the fast paced world of the 21st century, European firms need to move quickly to seize the opportunities open to them. But what kind of workforce do these firms need?

A fast-moving, innovative firm needs highly skilled, adaptable, motivated and loyal employees. That is why Europe's labour market policy should encourage firms to build long-term, high-trust relationships with their workforce - instead of promoting casualisation, short-term contracts, zero-hours contracts, unpaid internships, bogus self-employment and all the other products of decades of right-wing policy.

Social dialogue, workers' participation and investment in skills should be encouraged as a key driver of economic performance. Evidence from the European Foundation for Living and Working Conditions (EUROFOUND) shows a positive impact of employee involvement on work performance and company productivity, as well as on the quality of employees' lives at work. More needs to be done to ensure high standards of health and safety at work as the enforcement of existing legislation is in many places poor. The S&D Group want the next European Commission to step up its efforts to monitor implementation and take additional action where necessary. EU initiatives should encourage the spread of best practice. SMEs in particular could benefit from policy initiatives and funding to support better networking between companies, to share knowledge, skills and facilities. Policy support could be given to assist SMEs in the implementation of advanced human resource management.

SECURITY AND ADAPTABILITY

Right-wing leaders claim that high levels of employment protection are bad for job creation, but this is not backed by evidence. Instead of pushing for less protection for employees, the S&Ds will push for smart protection. Some of the most successful EU economies - Germany, Austria, the Scandinavian countries - provide high levels of employment protection, well-designed to minimise negative effects on recruitment or to a firm's ability to respond rapidly to changing circumstances.

Of course, economic circumstances sometimes require firms to hire and fire. Badly designed employment legislation can cause problems for employers and for job creation. Where there is evidence of such problems, they need to be addressed. But employers themselves say their biggest problem is the supply of skilled and adaptable workers. A modern labour market policy should be about producing those skilled, adaptable workers, easing the transition between jobs, or between education or training and a job, and encouraging firms themselves to invest in raising skill levels.

ACTION AGAINST PRECARIOUS WORK AND SOCIAL DUMPING

Millions of European workers on non-standard contracts - or in the growing informal economy- are denied legal protection. But a cutting-edge, innovative, knowledge-based economy cannot be built on a deskilled, casualised workforce. That is why the Socialists and Democrats want all workers to enjoy a core of common rights regardless of employment status. Among other things, member states should ratify the UN Convention on the Rights of Migrant Workers and the Council of Europe Convention on Trafficking.

The right for all EU citizens to move to another member state to work is a corner stone of the EU. Unfortunately labour mobility has resulted in a growing problem of social dumping, with employers not respecting core social and labour rights. The S&Ds defend the principle of voluntary labour mobility but we have to ensure that every European worker is treated equally and fairly and that labour and social rights are respected and protected throughout the European Union. To ensure this the S&D Group suggests:

- The revision, and more effective enforcement, of The Posting of Workers Directive, to guarantee that all workers in Europe enjoy equal pay for equal work in any workplace, and that social and labour legislation, collective agreements and industrial relation systems are respected.

PARTNERSHIP AND DIALOGUE

The erosion of trade unionism and collective bargaining over three decades has weakened the bargaining position of employees; reduced their ability to influence company decisions that affect their livelihoods, and accelerated the shift towards greater inequality.

The S&D Group will take steps to promote European collective bargaining and social dialogue, through strong unions and closer consultation between companies, employees, trade unions and public authorities. We will encourage social dialogue and collective bargaining on training, work organisation, restructuring and relocation; and provide a supportive legal framework for cross-border negotiations and European-level mediation.

WHAT WE PROPOSE

STOP ZERO-HOURS CONTRACTS, UNPAID INTERNSHIPS AND BOGUS SELF-EMPLOYMENT

- **Core labour rights for all workers and more effective labour inspection**
- **Tough rules on short-term contracts**
- **Strengthen employment services and active labour market policies**
- **Encourage social dialogue and collective bargaining**

07

MINIMUM WAGES IN ALL EU COUNTRIES

BACKGROUND

Europe has no future trying to compete as a low-wage producer in a global economy. We cannot and should not seek to imitate the lowest labour costs by pushing wages towards the bottom. Instead, we must put an end to low pay and start investing in high productivity. Ensuring a decent income for all people, whether in work or out of work, is a key political objective of our progressive agenda. It is about the quality and dignity of life – but it is also about a healthy economy.

Firms say that one of the biggest obstacles to investing more and taking on more workers is weak consumer demand. The biggest reason for this, of course, is the current recession compounded by austerity policies.

But even before the 2008 banking crash that caused the recession, consumer demand had been suffering from a fall in the share of national income that goes to wage earners. In the last 25 years, the share of wages has fallen by 10% while the share going to profits has risen. This shift from wages to profits is a result of three decades of policy designed to improve competitiveness by holding down wages; cutting taxes at the top; weakening trade unions; and deregulating labour markets.

Instead of improving competitiveness these policies, by raising inequality, have reduced the purchasing power of working people, which has depressed the order books of European companies and fuelled a debt-driven credit economy. Since trade in Europe is, to a large extent, intra-EU trade the overall demand level has been hit by the falling wage share.

WORKING POOR

The falling wage share in GDP is reflected in the increasing number of working poor in Europe. According to Eurostat, in 2010 8.2% of workers in the Eurozone were living under the average poverty threshold of €10,240 a year for single adult workers, up from 7.3% in 2006. The situation was nearly twice as bad in Spain and Greece. The recession has only worsened the situation. This is unacceptable.

NATIONAL MINIMUM WAGES

The S&D Group want to reverse this growing inequality. We want to make more use of minimum wages, stronger trade unions, higher investment in skills training, and changes in corporate governance, in order to boost the purchasing power of Europe's workers and consumers.

We call for an agreement in the European Council that every member state will establish a national minimum wage policy, either through legislation or through collective bargaining between the social partners, in accordance with national traditions. To take account of different starting points, each member state would set its own national minimum, but it should provide a decent living wage and should rise gradually, as economic circumstances permit, towards a common target percentage of national median wages.

WHAT WE PROPOSE

MINIMUM WAGES AT LEAST 60% OF NATIONAL AVERAGE WAGES

- **A European framework agreement to gradually introduce national minimum wages above the poverty line by 2025, either through legislation or through collective agreements**
- **Eliminate the working poor phenomenon in Europe by 2025**
- **Reduce the number of Europeans living below the poverty line by 25%, lifting 20 million out of poverty from the current 80 million**

08

HOW GREENING EUROPE CAN SAVE JOBS

BACKGROUND

We often hear politicians, newspapers and industrial lobbies telling us that "in these tough times, environmental issues need to take a back seat", when really the opposite is true. In fact, all the evidence shows that investing in greening Europe's economy is one of the most powerful job creation instruments we've got.

As demonstrated by the S&D Group's far-reaching European industrial strategy for the 21st century (available on our website) more efficient resource use is a key element in securing Europe's competitive edge in the global economy.

A GREEN TRANSITION FOR ALL JOBS

Europeans are employed across a wide variety of sectors, including some which until now have had a poor environmental record. The big prize, for jobs and for our environmental targets, will be making every job a sustainable job. The S&D Group want a new European competitive strategy, based on driving down resource costs, not wages and working conditions. This makes economic, as well as social and environmental sense, because materials and other natural resources now account for 40% of industrial costs - twice as much as labour costs.

Best practice across Europe shows that radical changes can be achieved even in the most heavily polluting industries, where innovative companies can gain a competitive edge while keeping jobs in Europe and reducing resource use and carbon emissions.

In coming years, the biggest changes will be in the largest 15 carbon-emitting industries, which employ some 24 million people - 12% of all EU workers and as much as 20% in Eastern Europe. Europe's future doesn't lie in abandoning or downsizing resource-intensive industries, but in helping them to increase their energy and resource efficiency.

For example, a recent study estimated that more ambitious innovation in low-carbon technologies in vehicle manufacture could generate between up to 1.1 million net additional jobs by 2030 and 2.3 million by 2050.

GETTING POLICY RIGHT

For the business community, the key requirement is a clear and stable regulatory framework, so they can make long term investments. For instance, that means we need urgently to define a post-Kyoto international climate framework, to reform the emissions trading system and to settle on clear targets for renewal energies, emissions reductions and energy efficiency for 2030 and 2050.

Most of all, a green transition needs joined-up policy-making taking into account the full range of policy needs - trade policy, R& D and innovation, macro-economic policies that promote growth and investment, active labour market measures, training and retraining and many more. Use of EU funds should prioritise support for green jobs and growth. Some sectors - like agriculture, forestry, fishing and tourism - will be directly affected by climate change. Europe needs to make these jobs sustainable through timely investment in adaptation measures.

GREENER TAXATION

Greener taxation will be a crucial plank in a more sustainable employment and industrial strategy. On average, taxes on labour and consumption in the EU are 45% of GDP, while environmental taxes are 7%. A shift from taxes on labour to taxes on resource use and pollution, with measures to prevent regressive income effects, could have a double dividend for jobs and the environment.

BETTER AS WELL AS GREENER JOBS

The S&Ds want to ensure that greener jobs are also better jobs. Much will depend on how our labour market laws and institutions are reformed. Unlike right-wing leaders we don't want reform as a means of eroding wages and conditions.
We have a very different vision of a more dynamic labour market, based on partnership in the workplace, combining adaptability with security at work.

A green transition will involve changes in the jobs people do and the skills they need to do them. That is why the transition should be managed through close involvement of employees and trade unions. The Socialists and Democrats have already presented detailed legislative proposals for a directive on restructuring, which would ensure that workers would be informed and consulted on important changes. We want to develop a culture of partnership in the workplace which mobilises the ideas and talents of the workforce in the cause of a secure, sustainable future.

The S&D Group believes that actions such as the following – some of which form part of our investment plan A New Deal for Sustainable Europe – can play a crucial part in creating jobs and achieving a more sustainable Europe:

- **A clear and binding framework for the 2030 energy and climate targets**
- **Energy efficiency:** full implementation of the Energy Efficiency Plan adopted by the European Commission in 2011 could improve Europe's industrial competitiveness; create up to 2 million jobs by 2020; and reduce annual greenhouse gas emissions by 740 million tons. Not to mention cutting up to €1000 per household per year off energy bills.
- **European Project Bonds for green investment:** expansion of the EU's pilot schemes for Project Bonds could create up to 2 million jobs by 2015, by financing investment in public transport networks, energy grids and IT infrastructure.
- **Renewable energy:** the EU's 2009 Renewables Directive set a binding target for every member state: 20% of energy use must come from renewables by 2020. This has already produced a massive increase in investment and job creation in the sector. Around 1.5 million people now work in the renewable energy sector in the EU. If the target is met, that could be up to 30 million by 2020.
- **Waste recycling:** by setting a target of 70% for recycling of waste, Europe could create at least 500,000 new jobs in the next decade.
- **Resource efficiency:** by adopting realistic resource efficiency strategies, the European Union could cut use of natural resources by 17%, boost GDP by up to 3.3% and create up to 2.8 million jobs by 2030. We also have to ensure that valuable resources stay within the EU. At present, for example, 90%of European ships are recycled outside the EU at the end of their lives, so that re-usable resources such as steel are lost to the EU.
- **Energy Taxation:** the reform of energy taxation by EU countries, so that tax levels on different fuels reflect their energy content and CO2 emissions, could create 1 million jobs by 2030. If the revenues from the emissions trading scheme were fully devoted to lowering taxation on labour could create a further 1.5 million jobs.

WHAT WE PROPOSE

+ 2 MILLION JOBS BY 2020 FROM ENERGY EFFICIENCY
- €1000 ENERGY BILL CUT PER HOUSEHOLD PER YEAR

- Full implementation of the EU's Energy Efficiency Plan
- An ambitious resource efficiency strategy to boost GDP by up to 3.3% by 2030
- 70% target for recycling of key materials

09

INNOVATION FOR JOBS

BACKGROUND

The only way Europe can stay competitive is by building a smarter, faster-moving, more innovative economy.

That is why innovation is at the heart of Europe's economic future and is the key to the creation of high quality jobs for the next generation. Political leaders from all parties pay lip service to innovation, but the gap between words and action is huge. Europe is failing to invest in innovation on anything like the scale that is needed:

- Israel has the world's highest share of GDP invested in R&D 4.8%
- Japan invests 3.4% and the US 2.7%
- Europe: only 1.8%.

Since 2010, the misguided public spending squeeze has done terrible damage to investment in research and innovation across the EU. In just two years of austerity budgeting France & the UK cut public R&D spending by around 7%, Spain 9%, Portugal 13% and some smaller, poorer countries like Latvia by up to 51%. Because of the recession, private sector investment also fell dramatically across Europe. This approach is incompatible with an ambitious innovation policy. EU rules on national budget deficits will need to be revised in order to protect investment in innovation; and the next revision of the EU's own long-term budget, due in 2016, should shift resources towards innovation.

In the EU, and most of its member states,, innovation is entrusted largely to the dynamism of the private sector. Public policy has had a limited role - giving tax incentives, responding to perceived market failures. But the experience of some the most successful, most innovative and highest-performing countries, in Europe and across the world, show the need for a far stronger public role.

STRONGER ECONOMY, MORE SUSTAINABLE SOCIETY, BETTER JOBS

Innovation can be about products or processes. It can mean producing better products or finding better, more efficient ways to produce them. By raising the productivity of labour and materials, successful innovation gives Europe a competitive edge and allows the creation of more and better jobs.

Innovation can also be about work organisation, marketing, supply chains, inventory management or many other aspects of production. This has broad implications for innovation policy. It means, for instance, that all firms - not just hi-tech firms - are potential innovators; and that while in some situations R&D may be the driver of innovation, in other situations issues such as labour relations and workforce participation may be the key driver. A survey of European companies by EUROFOUND shows that countries with more developed social dialogue may have a higher incidence of innovative work organisation.

Innovation will be an essential component in the rebalancing of Europe's economy and construction of a secure economic future .It will also be important in helping us tackle the great societal challenges we face together, such as climate change, looming shortages of key resources, our ageing society, urbanization and migration. So the choices we make about innovation policy are also choices about our social and political priorities and the kind of society we want to build for the future.

For instance, in a continent dependent on imports, innovation can help us use the raw materials and commodities needed to power our industries intelligently and sustainably. And with an ageing population, innovation can help give people more years of healthy life, better care and affordable, effective medicines.

WHAT DRIVES BIG INNOVATIONS?

Innovation can be an uncertain process that can take years to bear fruit. Finance for innovation must therefore be long-term, committed and patient. However, for many decades trends in the financial sector have been going in in the opposite direction. Financial markets demand quick results and judge companies by each quarter's profit figures. That is one reason why an insufficient proportion of private sector finance goes into research, development and innovation. Another reason is that large-scale innovation often requires many different economic actors to be taking complementary actions at the same time, creating an innovation eco-system that stimulates and rewards innovation in a particular sector, such as informatics in Silicon Valley, or eco-innovation in Germany.

Experience from around the world shows that - contrary to widespread assumptions - it is most often public policy which has been the driving force behind the game-changing innovations of our era. In the USA, for example, it was the government-funded Defence Advanced Research Projects Agency (DARPA) which funded the research behind many of the technologies underlying the personal computer and the early stages of the internet. In the same way, in Germany and China, it is government which has developed a "green mission", on the basis of which a great deal of targeted public R&D money has been used, not just to develop renewable energies, but to transform production processes and technologies across industrial sectors.

HOW THE EU CAN LEARN FROM THE BEST, TO BECOME THE BEST

The Socialists and Democrats want the EU to copy global best practice by developing an integrated innovation-based industrial policy, backed by adequate funding and focused on developing the industrial and research eco-systems which will help innovation to flourish. The Commission will have the task of identifying new technologies and innovations with high market potential; areas where innovation should be focused in order to tackle societal challenges; and areas where Europe has the potential to establish a lead. For that, it will need to identify:

- The sectors with fast growing and emerging technologies and innovation and analysis of the EU's relative position.
- Innovation opportunities resulting from social, environmental and economic trends up to 2030.
- The fastest-growing markets of the next decade.

Once the most promising areas have been identified and the political choices made, major initiatives should be launched to develop technologies, to create a supportive regulatory environment and to create big integrated markets into which they can be sold. Member states should be encouraged to align their research priorities and their public procurement policies to boost synergies and to accelerate uptake of the innovations in the public sector.

The strategy would run on twin tracks. One track would focus on identifying key enabling technologies to feed into industrial competitiveness across the board - such as in informatics, telecoms, resource efficiency and materials science. The other track would be an 'emerging technologies' strategy, launching a series of initiatives to secure our presence in future markets - such as next generation electric vehicles, robotics, cheap solar cells, smart grids, energy storage and virtual reality.

THREE KEYS TO A EUROPE OF EXCELLENCE

Europe can only meet the global competitive challenge if it excels in research and innovation by fostering the development of firms and institutions that are global leaders in their fields. This requires action to boost basic research, to develop young, innovative companies, and to reform patents:

- In the field of basic research, the European Union needs to raise standards through monitoring and encouragement, introduce more merit-based competition, and help researchers to be more mobile across borders.
- To support young, highly innovative companies, the EU should further the integration of venture capital markets and introduce a program for public funding of projects to commercialize high-risk innovative ideas.
- On patents, the EU should abandon plans for a three-layer system of national, EU and European patents, and should make patenting more affordable, especially for SME's and start-up companies.

ENCOURAGING ENTREPRENEURS

While a strong focus on tackling obstacles for existing companies is needed, at the same time, it is imperative that we support people who want to set up new companies. Europe needs more entrepreneurs. People who have the ideas and are ready to take chances and set up new companies- which, if they succeed, become drivers for job creation and growth in Europe.

Both cultural factors and burdensome administrative procedures discourage people from starting companies today. Since 2007 the EU has reduced the time and cost involved in starting a company from 12 days to 5 days and from €485 to €372. Even so, it should still be easier. Furthermore, a cultural shift in the perception of entrepreneurs and risk-taking is needed. Only 37% Europeans would prefer to be self-employed in 2012, down from 45% in 2007, and compared with 61% Americans. In support of entrepreneurs the S&D Group proposes:

- Making it easier: since 2007, actions by the EU have reduced the time and cost involved in starting a business from 12 days to 5 days and from €485 to €372. The aim is to bring that down to 3 days and €100, but only three member states have fully complied. This target needs to be more vigorously enforced. More could also be done to promote the Commission's website "Your Europe", which brings together all the information start-ups need on EU and national procedures and EU funds.
- A progressive entrepreneurship action programme should be introduced, using a broad definition of entrepreneurship, with special attention to young people, female entrepreneurs, the elderly, migrants and those at a disadvantage. It should develop start-up services, mentoring, guidance and assistance for young entrepreneurs.
- Breaking down barriers: entrepreneurship education should be developed in schools, vocational training and higher education and entrepreneurship training should not be restricted to business studies graduates as other graduates often have a greater propensity to start enterprises. Training for young people interested in setting up a business could be supported through the Youth Guarantee, "Erasmus for young entrepreneurs", the Social Fund and the Rural Development Fund.

WHAT WE PROPOSE

CUT RED TAPE FOR A NEW BUSINESS OR PATENT

- Cut the time and costs to start a new business from 5 days to 3 days and from €372 to €100 (EU average)
- Cut bureaucracy and costs for new patents
- Invest at least 3% of GDP in R&D and raise research standards
- Support young, highly innovative companies
- Smart regional specialisation strategies, bringing together companies, universities, and public authorities

JOB TRAI
TODAY

10

ACTIVE INCLUSION

BACKGROUND

The failure to open up the labour market to all Europeans threatens Europe's prosperity. In the next 25 years, the number of Europeans of working age will drop by 20 million and the dependency ratio of older people to those of working age will rise from 26% to 46%.

In the EU as a whole, around 68% of the working age population are in work, well below the EU's 2020 target of 75%. Figures vary from high achieving countries like Sweden with an 80% employment rate to those like Hungary and Poland, not much above 60%. In the recession, some such as Croatia and Greece have slipped to an employment rate of only around 55%.

Most of those whom we need to bring into the workplace face barriers through lack of skills, discrimination, age, disabilities or problems of reconciling family and professional responsibilities. We urgently need policies to break down these barriers - to combat the social evils of unemployment and social exclusion, but also as a vital component of Europe's economic success.

WHO ARE EUROPE'S EXCLUDED WORKERS?

While just over 70% of working age men are in employment, the figure for women is only 58%. This gender gap - almost non-existent in some Nordic & Baltic countries- reaches 20% in Greece and Italy, with wide variations in between. Only 47% of older workers (between 55-64) are in employment. Among people with disabilities the employment rate falls to 28%.

For other groups, the clearest evidence of problems lies in unemployment rather than employment rates:

- Young people are the biggest victims of the crisis and the politics of austerity. Average youth unemployment in the EU is 23% - and over 50% in the hardest-hit countries. Evidence presented by EUROFOUND shows that young people with health problems or disabilities, in particular, are currently being missed by both policy and practice; there is a need to shift focus towards them.
- Older workers can drop out of the labour force because of difficult working conditions, poor work–life balance or bad career prospects. Responses need to be found through better health and safety regimes, human resource management, and work organisation.
- Among migrant workers from outside the EU, unemployment is more than double the EU average, and even migrants from within the EU face a higher than normal unemployment rate.

European action is needed to break down barriers that prevent women, migrants, older or younger workers and other disadvantaged groups from fully integrating into the labour market. We need to remove obstacles to occupational and geographical mobility; help workers to reconcile their work and family lives and help the transition from an old job to a new high-quality job.

- Through its Integrated Policy Guidelines, the EU should insist that member states co-ordinate improvements in access to training and retraining, especially for workers with non-standard contracts, for the less skilled and for other disadvantaged groups.

JOB ROTATION – TRAINING THE WORKFORCE AND FIGHTING LONG-TERM UNEMPLOYMENT

The long-term unemployed face special difficulties in re-entering the labour market. They are also a fast-growing group - in 2012 they reached 11.6 million, double the number from 2008. Some EU countries are far more successful than others at preventing unemployment turning to long-term unemployment. We want to see best practice solutions more widely copied.

One best practice is the 'job rotation' schemes found in Scandinavia. While millions of workers need training, millions of long-term unemployed need professional experience. These challenges can be combined in schemes combining the needs of insiders and outsiders in the labour market. The S&D Group proposes to:

- Introduce European-wide 'Job Rotation' schemes through a Council conclusion.

The idea of the scheme is to boost productivity by up-skilling the existing labour force, and allowing long-term unemployed to enter the labour market and gain valuable experience.

The scheme would work like this: when a company sends its older/experienced employees on training, the company can hire a long-term unemployed on a temporary basis while the up-skilling/training of the older employee takes place. The company receives a publicly financed rotation benefit and pays the employee and the temporary employee standard wages during the training period. The company pays for the employee's training (course fees). The European Social Fund (ESF) should support the establishment of these schemes, particularly in the countries with more than 25% of unemployment, with member states covering the subsidies.

DISCRIMINATION

European legislation protects employees against discrimination at work, but more needs to be done to tackle discrimination outside the workplace which can also create obstacles to finding a job - by limiting access, for example, to housing, social security, health care, training, or goods and services.

- All member states must properly implement the existing anti-discrimination legislation.
- A new anti-discrimination legislation should extend the broad protection enjoyed at work to cover also discrimination outside the workplace.
- An EU code of conduct for ethical recruitment. Migrants must have the right to seek jobs and join trade unions. Employers who exploit migrants should face penalties.

MAKING WORK AND FAMILY LIFE COMPATIBLE

Europe's demographic challenge means we will need active policies to help parents work, or continue their education or training. Equally, older workers should be helped to extend their working life. But inflexible working hours and the long-hours work culture keep many people with family responsibilities, and many older workers, out of the labour force.

- The Parental Leave Directive should be strengthened, opportunities for flexible working hours and job-sharing increased, and member states should be held to the promises made at the Barcelona European Council in 2002 on high quality childcare provision, integrating pre-school education into lifelong learning strategies.
- Excessive working hours should be tackled through updating legislation on working time.

WHAT WE PROPOSE

RAISE EMPLOYMENT RATE FROM CURRENT 68% TO 75% BY 2020*

- EU-wide 'Job Rotation' schemes co-financed by the European Social Fund: a worker goes to training, a long-term unemployed person takes over while they are gone
- Strengthen rights to parental leave, opportunities for flexible working hours and job-sharing
- Ensure high quality childcare services for at least 33% of children under three years of age and at least 90% of children between three years old and the mandatory school age
- Crack down on discrimination on access to jobs, training, services, housing

*people aged 20-64

ABOUT THE S&D GROUP

The Group of the Progressive Alliance of Socialists and Democrats (the S&D Group) is the second largest political group in the European Parliament with 194 members from all 28 EU member states.

We stand for an inclusive European society based on principles of solidarity, equality, diversity, freedom and fairness. We promote social justice, jobs and growth, consumer rights, sustainable development, financial market reforms and human rights to create a stronger and more democratic Europe and a better future for all citizens.

S&D Group youth conference, European Parliament, Brussels, 6-7 June 2012

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Group of the Progressive Alliance of
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