



PES Leaders' declaration,
For an ambitious recovery plan to safeguard employment and prevent mass
unemployment

30th November 2008

We have one common goal: to safeguard employment and prevent mass unemployment and to promote smart green growth. This is our number one priority that will guide all our policy proposals and actions. This goal should therefore determine the size and components of the European economic recovery plan. It also makes doing things together indispensable so that we can have the strongest possible impact on employment in Europe. This is our Pact for Employment – a combination of proactive Member State and European action.

Europe is in the midst of a serious financial crisis and at the beginning of an economic recession. The real economy and financial markets are linked and must be tackled simultaneously. If we fail to act ambitiously now, not only will financial turmoil continue, but the recession will be prolonged and deeper, affecting the lives of people all over Europe, with increasing unemployment.

Europe urgently needs a comprehensive response. We managed to take coordinated European action to respond to the crisis in the banking sector and we are now tackling the credit challenge to ensure that banks start lending again to companies and households. We made sure that people's savings were secured. Now, we have to save their jobs. We must fight the economic recession together; if we don't do it together it will be prolonged and more painful for our citizens.

Our goal of safeguarding employment and preventing mass unemployment in Europe must build on two pillars.

Firstly, the coordinated action of Member State governments: if we are to reach our goal, we must commit to continue making sufficient investments in the coming months and years in each of our national economies. This means that we must take concrete measures in order to invest in the right job-creating priorities. These priorities include green energy and infrastructure policies, including transport, making public and residential buildings more energy efficient, for example subsidies for housing insulation, research and development, education and training, and child and elderly care. In light of the recession, member states should prioritise ways of working with employers and trade unions to minimize job cuts as much as possible, for example by combining employment and training. Tax incentives, for example VAT cuts, could also be coupled with new investment initiatives to increase demand and promote structural change. The precise policy mix will vary from country to country, but would follow a common set of priorities. Overall, the total budgetary stimulus has to be sufficient and coordinated across Europe to have a real, magnified impact on the economy and meet our goal of safeguarding employment and preventing mass unemployment.



Secondly, European policies and instruments have a key role to play to complement and enhance joint action amongst national governments. It is important that the EU budget is used effectively in order to meet the current challenges. Member States and regions with specific economic problems need particular support through the crisis. The approval of trans-European network projects in areas such as transport or energy and telecommunications infrastructure, especially broadband, should be given priority to boost trade and growth across Europe. The Structural Funds have a major role to play. The application of existing European state aid rules should allow rapid and effective government action to safeguard employment and the public interest. The European Investment Bank should increase its support for small and medium-sized businesses and greening the economy. Trade policy must also play a role in the recovery, through the conclusion of the Doha round and European Partnership Agreements, as well as promoting the export potential of Europe's small and medium sized businesses. Furthermore, the EU should examine how the Lisbon agenda, notably industrial policy, could better promote innovation and energy efficiency in key sectors.

New policies to fight the recession should be directly linked to the goal of safeguarding employment and preventing unemployment. The value-added of joint and simultaneous action across Europe is now widely acknowledged by the IMF and others. Some of Europe's conservatives are opposed to the budgetary stimulus that is needed to invest in the real economy. We believe they are short-sighted and wrong. Investments are needed now to transform our economies in the coming months and for the future. Increases in borrowing in the short-term will enable a stronger and earlier recovery which in turn will strengthen public finances over the medium term. There is no contradiction between such a European recovery plan and the Stability and Growth Pact. And, most importantly, our aim must be that ordinary people do not suffer the severe effects of a long-drawn out recession.

Ordinary working people must benefit first and foremost from government action because they are the base on which our entire economy stands. The recovery plan should therefore have a strong social dimension focused on the lowest income groups: this might include strengthening unemployment benefit systems; targeting income support to maintain purchasing power (for example, targeted tax cuts and credits); policies to ensure the affordability of basic goods such as electricity and gas; policies to keep mortgages available and affordable; support for the most vulnerable, such as pensioners; and active labour market policies to safeguard existing jobs and get people into new jobs with new skills.

Large global economies are agreeing their own economic relaunch plans. The victory of Barack Obama in the US Presidential elections is historic and a new hope for progressives across the world. At a time of global financial and economic crisis, his victory takes on even greater significance for shaping a global solution, together with the European Union and other global partners. We need a new progressive transatlantic partnership for ensuring employment, new economic progress, fairness and peace. Incoming President Barack Obama is preparing an ambitious fiscal stimulus package. In China's case, its fiscal stimulus amounts to \$586 billion over two years, equivalent to 14% annual GDP. Altogether, the global economy should come out stronger through closer macroeconomic cooperation, as agreed at the G20. But Europe must pull its weight – through its own ambitious economic recovery plan - if it wants to exercise real, global political leadership and shape future global financial and economic governance. In our view, the magnitude of the budgetary stimulus



should be determined by the imperative to reach our common goal. If we fail, Europe will emerge as a far weaker global actor.

We call on the EU and its Member States to adopt this ambitious recovery plan at the European Council of 11-12th December to counteract the recession and unemployment before it's too late.