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from: The Employment Committee and the Social Protection Committee  
to: The Permanent Representatives' Committee (Part I) / Council (EPSCO)

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Subject: European Semester 2015: Contribution to the European Council (Brussels, 25-26 June)

- b) Assessment of the 2015 Country-specific Recommendations (CSRs) and the implementation of the 2014 CSRs
  - Endorsement of the opinions of the Employment Committee (EMCO) and the Social Protection Committee (SPC)

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Delegations will find attached the above-mentioned opinions with a view to the Council (EPSCO) meeting on 18 June.



### **EMCO MULTILATERAL SURVEILLANCE: EXAMINATION OF THE 2014 COUNTRY SPECIFIC RECOMMENDATIONS, THE 2015 NATIONAL REFORM PROGRAMMES, AND THE PACKAGE OF PROPOSALS FOR 2015**

On behalf of the Council, the Employment Committee (EMCO) has carried out a wide-ranging analysis of the implementation of all 2014 labour market country-specific recommendations (CSRs) issued by the Council to Member States. This examination, seen in conjunction with the country-specific opinions going to Council, forms the core of EMCO's Treaty obligation and is a culmination of work to ensure a multilateral view within the committee.

EMCO conducted thematic multilateral reviews on the 2014 CSRS, including a joint review with the Economic Policy Committee on labour market competitiveness<sup>1</sup>, and one with the Education Committee on education.

The first section of this opinion summarises the main findings of these reviews<sup>2</sup> and includes consideration of the response by Member States to the Employment Guidelines, as set out in Member State National Reform Programmes (NRPs). It also summarizes EMCO's assessment of the Commission's Country Reports that include the in-depth reviews in the context of the Macroeconomic Imbalances Procedure. The second section provides a horizontal assessment of the proposals for 2015 Recommendations as sent by EMCO to Council. Both sections take into consideration a debate held with the European Social Partners.

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<sup>1</sup> On the 7<sup>th</sup> April 2015 the Chair of EMCO and the President of the Economic Policy Committee wrote to the presidents of the EPSCO and ECOFIN Council's summarising a thematic discussion on two prevalent policy challenges relating to the competitiveness of European labour markets: long-term unemployment and labour market segmentation.

<sup>2</sup> Which should be read in conjunction with the summary of the results of the EMCO review on the Youth Guarantee (December 2014 EPSCO room document (DS 1612/14)).

## **SECTION 1: A YEAR OF FURTHER REFORM:**

In the context of labour markets still living with the legacy of the economic crisis, Member States have pursued a further set of far-reaching reforms to tackle the challenges. As EMCO stressed last year, labour market reforms must not be seen in isolation, and due attention should be paid to both an appropriate sequencing of policy measures and of accompanying labour market with product/services market reforms. These can act to reduce prices through better competition, mitigate adverse impacts on real wages and domestic demand, and strengthen productivity. Attention could be given to the role of SMEs in employment creation and helping businesses to create first jobs and stimulating employment creation by firm growth.

Labour markets are changing rapidly and fundamentally. It is apparent that digitalisation is having an increasingly important effect on labour markets and that many of the jobs lost during the economic crisis, and particularly those of lower skill content, will not come back. The response must therefore account for this change. Reform cannot be one dimensional, but must involve macroeconomic policies, a broader reform agenda for labour markets in line with the flexicurity principles, increasing mobility, product and other market reforms, taxation and benefit reform, as well as specific labour market intervention, training, up-skilling and social policies. Social partners have a central role to play within this reform agenda.

**Addressing youth unemployment:** The existence of large cohorts of young people with no attachment to the labour market is a threat to long term growth and social cohesion. Member States made considerable progress in the implementation of the Youth Guarantee. Outreach towards young people furthest away from the labour market, the non-registered NEETs (youth neither in employment, education nor training) and improving partnerships with key players remain important challenges. In this context, focusing on key structural reforms, such as improving the overall education system and strengthening the functioning and the overall capacity of Public Employment Services is crucial.

**Wage setting mechanisms:** Further progress is acknowledged in terms of aligning wages and productivity developments even though unanticipated inflation evolution has made this more difficult. Reforms, significantly influenced by national social dialogue traditions, have contributed to a clear rebalancing in terms of unit labour costs. Crucial challenges remain to make sure changes in wage levels reflect both productivity developments and also support aggregate demand in the context of a broad consideration of socio-economic conditions. In a number of Member States wages have been in fact lagging behind productivity developments. A number of Member States have set up or are in the process of setting up dedicated commissions to ensure clear and transparent guidance for the setting of Minimum Wages. Further challenges include better taking into account the interaction in wage setting between private and public sectors.

**Labour market segmentation:** The thematic multilateral surveillance review on tackling labour market segmentation demonstrated that whilst this differs across Member States, there has been a considerable reform push in this area. Approaches vary between broad all-encompassing reforms to legislative changes to the labour code and other legislation. Focus was on efforts to modernise and simplify employment protection legislation and to remedy excessive labour market segmentation by reducing the gap between different levels of employment protection related to permanent and temporary forms of employment. The discussion highlighted a heterogeneous picture across Member States with regard to the distribution between permanent and temporary work contracts and with regard to the transition rates from temporary to permanent work. This reflects differences in employment protection legislation but also the sectoral composition of the economy (e.g. the prevalence of seasonal work in some industries) as well as the economic cycle. While it was recognized that strong segmentation has negative consequences for the economy in terms of lack of human capital accumulation, inefficient allocation of labour and lower productivity, and lower potential growth, not all temporary contracts point to segmented labour markets and they also can act as stepping stones towards permanent jobs, so that focus therefore should be directed to smoothen such transitions.

The review also established that reforms play an important role in reducing segmentation, but also that segmentation goes beyond the type of work contract and that more comprehensive strategies and a coherent set of measures are called for. Important in this respect are measures to support both external and internal flexibility, efficient unemployment benefit systems, well-designed taxation on labour and the fight against fraud and undeclared work. Broader measures such as competition in products/services markets, better regulation, measures to tackle barriers for mobility and appropriate monitoring and follow-up on reforms can also be vital. Social partners have an important role to play in the fight against excessive segmentation.

**Taxes on labour:** Collectively, the EU has not reduced the tax wedge on labour or shifted taxes towards other more growth-friendly taxes in any substantial manner. In part, budgetary constraints have limited the room of manoeuvre, but our reviews point to the potential for further measures in this regard as required in light of the need to maintain international competitiveness. Progress has been made in some Member States with some targeted tax reductions towards lower-wage earners, others more across-the-board tax wedge reductions or targeted to specific groups. Nonetheless, robust and sustained growth is necessary for the measures in this area to show effect, and they cannot be seen in isolation of other obstacles facing business for the creation of new jobs. The financing of such reforms include revenue generated from tax shifts towards sources less detrimental to growth, and through the fight against shadow economy. The discussions showed that taxes on labour, benefits and subsidies have to be assessed in a comprehensive way and that further discussion, monitoring and impact assessment are important for successful implementation.

**Education and links to the labour market:** The crisis has brought to the forefront the urgency to address genuine labour market mismatches that have continued to grow, and has also pointed to structural weaknesses in some education systems. Education and training systems, whilst also pursuing wider objectives, need to become more responsive to developments on the labour market. Important reforms in this field continue in some cases affecting fundamental elements of the systems, but take time to implement and take effect. The EMCO Review on the implementation of the CSRs relating to Youth unemployment and the Youth Guarantee clearly illustrates welcome progress has been made in implementing and in particular in reforming apprenticeship systems. More efforts are needed in general in outreach to those furthest away from the labour market.

**Undeclared work:** A number of measures have been taken to strengthen inspections (e.g. merging of inspections, better use of technology), improve inter-institutional and EU cooperation, fight fraud as well as measures for tax compliance (e.g. cash registers in all transactions) in order to fight undeclared work.

**Labour Force Participation:** Member States have also adapted social security systems to provide adequate support and strong incentives for labour market participation. And efforts to make sure older workers stay longer in the labour market were intensified, with noticeable results. However, the challenges of still comparatively low employment rates and a higher share of long-term unemployed remain, in particular in light of the demographic challenges the Union is facing. The increase in pension ages should thus be accompanied by targeted policies to tackle unemployment in this age group and active ageing measures to further address the challenge.

Progress is less evident in other areas. Although women are the most important source for enhancing the Union's future growth potential, only limited steps in the direction of increasing female participation were made, predominantly in the provision of childcare. Other aspects that were highlighted are the need to remove fiscal disincentives for second earners and to tackle the gender pay gap and the pension gap.

**Active Labour Market Policies and the role of PES:** In the area of making active labour market policies more efficient and modernising PES, important reforms have been adopted and are being implemented. The effects have to be closely monitored and, in certain aspects improvement measures need to be intensified. Tackling long-term unemployment through activation measures and supporting young people in their transition to the labour market, improving matching efficiency, and promoting the activation of jobseekers are increasing challenges. Maintaining access to the labour market and re-training are becoming increasingly essential. In all Member States, but particularly where the signs are promising for a turn-around in the labour market, more focus needs to be placed on these policies.

**Reforms in the euro area:** EMCO's multilateral surveillance reviews have indicated significant measures have been taken by euro area Member States, with progress more evident in terms of combatting labour market segmentation, preventing early labour market withdrawal, and in putting in place a Youth Guarantee. Little progress can be seen in reducing the cost of labour and more efforts in this field are required.

## **SECTION 2: THE 2015 RECOMMENDATION PROPOSALS<sup>3</sup>:**

EMCO welcomed the more focused CSR proposals provided by the Commission and subscribes to their priorities in terms of investment, growth and job creation. The smaller number of CSRs zooming in on genuine reform priorities for the Member States is welcome, as is the overall balance of the CSR proposals. It is a clear indication of the continuing need to tackle the labour market legacy of the crisis that employment issues remain perhaps the most prominent element of this package of CSRs forwarded to Council despite a 50% reduction in the overall number addressed to Member States. The Committee takes note of a stronger emphasis placed on product and service market reforms. The expected economic recovery should indeed not lead to reform fatigue on the labour market, but rather provide for a more conducive environment for new measures to improve labour market functioning and, crucially, to ensure the implementation of reforms already adopted reach their full potential, paying careful attention to implementation on the ground.

Targeted proposals, alongside more concise drafting indicating the objective of the reform, and leaving room for manoeuvre to the Member States to dictate how to address the issue, generate a clearer discussion on the relevant priorities, allow more attention to be devoted to the effects of reforms, and permit a stronger follow-up of implementation with focus on monitoring.

There is a balance between having specific CSRs that are easy to follow up, and on the other hand not being overly prescriptive to Member States on the specific policies to be pursued. Going forward, it is important that the recommendations are not overly prescriptive.

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<sup>3</sup> The considerations on the governance of the Semester and on the procedural aspects in this note are the result of an initial reflection and are to be considered preliminary.

## **On the CSRs falling under MIP and SGP and their follow-up**

However, despite being more focused it remains the case that too many issues are classified as constituting a macro-economic imbalance and thus falling under the macro-economic imbalances procedure. In many of these cases, despite pleas over the last two years from all EPSCO and ECOFIN committees, the case for why such recommendations are considered a macro-economic imbalance has not been established clearly enough by the Commission. It is well understood that addressing macroeconomic imbalances requires actions on several fronts. Nevertheless, while good progress had been made in the 2015 European Semester, MIP recommendations could benefit from being more focused on issues with more direct and immediate positive impact on imbalances, rather than on policies that would only have an indirect or general impact in the longer run. Moreover, it is EMCO's opinion that although high unemployment or other labour market problems may entail macro-economic consequences, they do not as such constitute a macro-economic imbalance in the sense of the MIP procedure, and are conveniently dealt with by the EPSCO multilateral surveillance and coordination mechanisms.

This also placed additional pressure on the joint meeting between EPSCO and ECOFIN committees to discuss an expanding wide range of complex issues, creating the situation where the ECOFIN Council formation has the joint lead on CSRs of EPSCO core competence. Looking forward, it would be essential that the outcomes of Commission surveillance (through MIP in-depth reviews in particular and presentations to committees on on-going assessments of implementation) on labour market issues without a link to wages and taxes or otherwise directly and closely linked to macroeconomic imbalances pass through the EPSCO Council exclusively and are therefore presented to EMCO.

It is also important that in future Semesters, the committees devote sufficient time to this joint meeting, while Member States could contribute by refraining from overly detailed comments, since this year's arrangements have led to a certain unequal treatment.

A second content issue with procedural implications relates to the increasing coverage of structural reform issues falling under the Stability and Growth Pact Recommendations (SGP). In contrast to the sharper, more focused recommendations in general the SGP CSRs lump within them a wider range of structural reform issues. These include reform priorities which are the core competence of EPSCO committees and the implementation of which falls to EPSCO Ministers.

The Commission needs to reflect carefully on lumping in a number of structural reform issues into CSRs on fiscal matters falling under the SGP and (in most cases) also the MIP, but if the Commission is to continue with this approach this will require that in future European Semesters all these issues are dealt with in joint meetings of the EPSCO and ECOFIN committees. The current practice, whereby the EFC deals with all SGP issues but refuses to meet jointly with others, is not sustainable in that light.

### **On the role of the recitals**

While the CSRs themselves have become more concise and focused, a number of additional concerns and issues were transferred to the recitals introducing the text of the recommendations themselves. The desirability of such complementary guidance can be understood, but both from a legal and a practical perspective, questions can be raised on the choice of the recitals as the preferred instrument. Moreover, within the EPSCO context their substance overlaps to a large extent with the Employment Performance Monitor.

The recitals also reflect the progress made by the Member States. This assessment was based mainly on the Commission's Country Reports and on occasions was not in accordance with the conclusions of the Multilateral Surveillance Process of EMCO. This raises concerns and further reflection on the way progress is taken into account would be helpful.

### **On the timeframe**

EMCO welcomes the revised timeframe, with the earlier publication of the Country Reports and the extended period to discuss the Commission draft CSRs. Both allow for an improved interaction with main stakeholders such as the social partners and for a stronger ownership at national level.

EMCO reiterates its opinion that the role of the National Reform Programmes in the current timeframe for the European Semester should be reflected upon. Due to the bilateral discussions between the Commission and the Member States throughout the Semester and the reflection of them in the Country Reports, at the moment that they are submitted, the NRPs contain very little new information for either the Commission or the other Member States. The timing and/or the role of the NRPs should therefore be re-visited. At the same time, it's important to recognise that in a number of Member States, the NRPs represent a political commitment document that involves the social partners and other stakeholders via consultations. Any possible change in their role should not lose this valuable aspect.

### **On the euro area recommendations**

EMCO welcomed in general the recommendations addressed to the euro area. However, it is important to better acknowledge the importance of ensuring reforms deliver on an agenda of growth, employment and social cohesion. The draft CSRs addressed to the euro area (and their accompanied recitals) could be made more explicit on the common goal of generating employment, and the impact that policies (related to fiscal consolidation) have on the employment and social situation.

Secondly, EMCO felt there was a need to place more stress on the importance of the consistent implementation of reforms, now that the Commission has come forward with a more focused set of proposals.

### **On the dialogue Commission-Member States**

EMCO recognized the increased quality of such a dialogue throughout the year and this is reflected in the 2015 proposals for CSRs elaborated by the Commission. This enhanced dialogue shouldn't be lost in the last phase of the Semester when CSR proposals are discussed in the relevant Committees or in the process leading up to this discussion and where Commission's representatives should have a stronger mandate to negotiate.



## The Social Protection Committee

### **SPC assessment of the 2015 CSRs package and the implementation of the 2014 Council CSRs in the area of social protection and social inclusion**

In line with the provisions of title X of the Treaty on the Functioning of the EU (TFEU) and the mandate of the Committee based on Article 160, the SPC carried out in the spring of 2015 an analysis of the implementation of the 2014 Council country-specific recommendations (CSRs) and country-specific challenges outlined in the 2015 Commission Country Reports (released in March 2015) in the area of social protection and social inclusion (part I of this opinion). In line with its mandate, the requirements under Regulation (EU) No 1176/2011 and the new Council decision establishing the Committee<sup>1</sup>, which calls for the SPC to contribute to all aspects of the European Semester within its field of competence and report on them to the Council, the SPC also examined the new Commission proposals for CSRs in 2015 in the areas of social protection and social inclusion (part II of this opinion). Issues related to health have been examined jointly with the Council Working Party on Public Health at Senior Level.

#### **Part I – Continuing an ambitious agenda for the modernization of social protection systems while facing new challenges: main findings from the SPC multilateral surveillance reviews on the implementation of the 2014 CSRs**

In July 2014, the Council adopted 149 recommendations to 26 Member States. The number of recommendations, based on art. 121 and 148 TFEU, addressing social protection and social inclusion policies reviewed by the SPC totalled 41, a clear sign of the importance of such policies in the structural reform agenda, which is at the core of recovering smart, inclusive and sustainable growth in the EU. The implementation of the recommendations in the area of social protection and social inclusion was reviewed by the SPC in four thematic sessions in March 2015.

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<sup>1</sup> Council Decision (EU) 2015/773.

## **Reforms in the area of social protection and social inclusion**

The multilateral review on social protection and social inclusion showed that Member States are making efforts to address issues related to the coverage and adequacy of social benefits and their link to activation. These reforms are challenging, especially in the context of restricted financing opportunities, but are essential to put in place modern and effective social protection systems. Addressing child poverty and family benefits are another important area of reform, with specific measures put in place to decrease the share of jobless households and provide opportunities and incentives for parents to enter and stay in the labour market. One-stop shops and quality standards for the delivery of social services are also being developed. Some Member States are investing efforts in developing appropriate and comprehensive databases on the recipients of social benefits and services as a way to improve monitoring and targeting. In modernizing their social protection systems, Member States should provide effective, efficient, and adequate protection, starting early and continuing throughout all stages of an individual's life, ensuring fairness and reducing inequalities. In line with the principles of social investment, social protection systems should enable people to participate actively in society and the economy.

## **Reforms of pension systems**

Reforming pension systems has consistently been an important element of the structural reforms agenda for a number of Member States since the start of the European Semester. The multilateral review on pensions showed that the majority of Member States with Council recommendations in this area are making progress in addressing their challenges. Given the complexity of pension reforms and the involvement of social partners in the negotiation process, reforms are often being implemented in the context of a multiannual cycle. Increase in the retirement age is a priority for the majority of Member States. Aligning it with life expectancy is in the process of being assessed in view of future measures or planned for implementation by a number of Member States, but is not considered as a the only solution for raising the retirement age.

Significant efforts have been put on limiting early retirement options. In this context, a number of Member States are reviewing access to disability pensions and reforming work incapacity schemes in order to facilitate labour market participation and the accumulation of pension rights. The area of indexation is addressed by some Member States, with specific challenges related to elderly poverty and average pension levels, as a tool to contribute to pension adequacy. Others focus on increases to minimum pension as a way to strengthen the social protection to those most in need. A few Member States are stepping up efforts to develop supplementary pension schemes. Promoting longer working lives is essential to address the challenges of population ageing. Some Member States are underpinning their pension reforms through initiatives in the labour market aimed at improving the employability of older workers, others are developing wider active ageing strategies. Some Member States are also developing specific monitoring tools which can allow for elaborate forecasts and analysis of the social impact assessment of pension reforms. The SPC took note that pension expert committees or similar formations are increasingly being used by Member States in the development of pension reforms.

### **Reforms of health systems**

The main focus of the 2014 CSRs in the area of health has been on reforms to ensure cost-effectiveness and sustainability of healthcare, but for a few Member States issues related to quality and accessibility were also raised. The multilateral review showed that the majority of Member States with Council recommendations on health are taking measures to address cost-effectiveness and sustainability challenges. The ambitions are in general in line with challenges previously identified nationally, in other Member States and in health systems worldwide. Some Member States have embarked on ambitious health reforms defining long-term priorities in the field of healthcare. These are in many cases done in the context of multiannual, comprehensive National Health Strategies. Reform measures on pricing of pharmaceuticals and the use of generic medicines are used to gain cost-efficiency. Similarly, reforms to hospital care, including linking hospital financing to outcomes, developing out-patient care and reviewing procurement arrangements, constitute a significant part of Member States' efforts in ensuring better efficiency in spending. Promoting transparency, addressing fragmentation in services and re-organization of governance arrangements are other areas of important policy efforts. Few Member States are addressing specific challenges related to ensuring adequate access to health care services and health insurance, including for the most vulnerable.

## **Reforms of long-term care systems**

Seven Member States received CSRs on long-term care (LTC) issues in 2014, with an overall focus on improving cost-effectiveness and concerns on provision and access to adequate long-term care services. A number of Member States are addressing these challenges through structural reforms aiming at cost effectiveness, where appropriate a shift from institutional to community-based care, strengthened support to informal carers and improved policies for prevention, rehabilitation and independent living. The direction of reforms aimed at long-term care sustainability should ensure proper access to adequate, affordable and quality long-term care. To do this, Member States may need to move from a primarily reactive to an increasingly proactive policy approach, which seeks both to prevent the loss of autonomy and thus reduce the need of long-term care services, and to boost both tailored and cost-effective long-term care, health and social care provision.

## **Part II – The 2015 CSRs package: more focus and priority-setting**

The 2015 package of CSRs contributes to the objective of the new Commission to streamline the European Semester with a stronger sense of priority setting and to give greater focus and clarity to the recommendations with a decrease by more than 1/3 in the total number of CSRs.

SPC notes with concern the decrease in the number of explicit **poverty reduction CSRs** in the 2015 package. While in 2013 and 2014 there were explicit recommendations on addressing poverty and social exclusion for 8 and 6 Member States respectively, in 2015 these were proposed for 3 Member States with a main focus on in-work poverty. Of these, 2 are MIP-related, bringing again issues related to social inclusion in the context of the MIP procedure. This decreasing trend is not in line with increases in the risk and depth of poverty observed in more than one third of the Member States as pointed out by the latest SPC report on the social situation in the EU<sup>2</sup> and the Europe 2020 headline target on reducing poverty and social exclusion as well as the objectives of the Employment Guidelines.

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<sup>2</sup> Doc. 6194/15 + ADD 1-4. See also:  
<http://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=7744&visible=0>

This is to be seen, however, also in the context of much less CSRs across the board in the 2015 Semester. Objectives related to the reduction of and protection against poverty are also to be achieved through policy recommendations on improving the effectiveness of social protection systems. In fact, the focus on **effectiveness of social protection schemes**, including the coverage of benefits, and their link with activation, has remained an important element in the 2015 CSR package (2015 – 14 CSRs, 2014 – 15 CSRs), but an important share of these CSRs has been put under the MIP procedure (9 in 2015 vs. 4 in 2014).

Reforms in **pension systems** remain the major focus of CSRs in the area of social protection. In 2015, the Commission proposed CSRs on pensions to 14 Member States (AT, BE, DE, FI, FR, HR, LT, LU, MT, NL, PL, PT, RO and SI). The focus continues to be on ensuring longer working lives in line with the growing life expectancy through linking pensionable age with life expectancy, closing the gap between statutory and effective retirement age, limiting early retirement pathways and increasing incentives for later retirement. Pension adequacy is mentioned explicitly as a policy objective only for one Member State, while sustainability is explicitly mentioned only for three Member States. An increasing number of pension CSRs have been put forward as MIP recommendations (from 4 last year to 9 this year).

The SPC recognizes the importance of long-term fiscal sustainability of pension systems. But it also highlights that pension reforms should not separate sustainability concerns from considerations of pension adequacy which requires that full attention be given to the economic, social and political risks associated with lower income replacement and increases in poverty among older people. The Committee is of the opinion that aligning pensionable age with life expectancy is a valid horizontal orientation for reforms. However, the SPC notes that alongside adjustments to the statutory pension age, and given the competence of Member States in the area of social protection in general and pensions in particular, other tools (such as restricting access to early retirement, extending contributory periods, including a life expectancy factor in the benefit calculation formula, and/or stepping up efforts in workplaces and labour markets to enable women and men to work more and longer, etc.) are also available as policy options for increasing the effective retirement age and for adapting pension systems to the changing demographic and economic conditions.

Therefore, as pointed out repeatedly by the SPC, the most appropriate mix of policy options in the area of pensions depends on the specificities of national pension systems, the sustainability challenge and the current and projected adequacy of future pensions, which should be reflected in whether and how CSRs in this area are formulated.

The number of **health-related CSRs** has decreased from 16 to 11 (BG, CZ, ES, FI, HR, IE, LT, LV, RO, SI and SK) with 6 health CSRs being discontinued while CSRs on **long-term care** have decreased from 7 to 2 (AT and SI). The focus of health recommendations continues to be on cost-effectiveness while not all Member States with a CSR in this context have a fiscal sustainability challenge. At the same time, issues related to quality and/or access are only explicitly mentioned in CSRs for two Member States, although these dimensions could also be considered to be encompassed in the broader concept of effectiveness.

The SPC would like to underline that cost-effectiveness of health services is to be considered within the wider perspective of health systems and their objectives. Article 168 of the TFEU requires the EU to guarantee a high level of health protection in all policies and activities of the Union. It is important to ensure well-functioning health systems and high level of health protection which should be considered under a social investment perspective, not merely as costs, but as prerequisites for long-term productivity, wealth, competitiveness, sustainable growth and social inclusion.

In general, social protection and inclusion issues are to be seen in their broader context in accordance with the social investment approach and not just as a cost factor.

### **Part III – Overall governance aspects of the 2015 European Semester process**

This year marked an improved set up with what regards some governance aspects of the Semester process.

The early release of the Commission 2015 Country Reports, following the new approach announced in the 2015 AGS package, has proven to be effective in ensuring a deeper multilateral surveillance by the Council and its Committees and could contribute to stronger national ownership of CSRs, both of which are critical for the success of the Semester. The Country Reports showed a more thorough analysis of employment and social issues. The time available to discuss their findings reinforced the multilateral nature of the surveillance exercise and had an important role in building a shared understanding of the challenges and policy efforts between the Member States and the Commission. The SPC held a thorough discussion with social partners and social NGOs on the findings of its multilateral surveillance reviews, resulting in a constructive and substance-based dialogue on the main directions of social protection reforms. The future role and timing of the National Reform Programmes within the streamlined Semester process, however, still needs to be discussed.

The timeframe between the publication of the Commission proposals for CSRs and the Committees' discussions has allowed for better national coordination. There were some improved modalities for the joint work by the EPSCO and ECOFIN advisory Committees with a better organized joint discussion of a number of CSRs of cross-cutting nature, ensuring a coordinated and balanced preparation of the CSRs adoption by the Council (EPSCO and ECOFIN).

Overall, a much higher number of CSRs in the areas of social protection and social inclusion were issued as MIP recommendations. In fact, the number has closed to doubled – from 16 to 27 CSRs. As the SPC has reported to the Council during the previous Semesters, the current MIP legislation (the 'six pack') does not include policy areas and indicators related to pensions, health, long-term care and poverty reduction issues in the scope of the MIP. In many of these cases, despite requests from the EPSCO and ECOFIN committees, the reason why such recommendations are considered a macro-economic imbalance has not been clearly established by the Commission. Similarly, a number of structural reforms related to pensions and health are recommended under the Stability and Growth Pact (SGP). SPC reiterates that all issues within the competence of employment and social affairs ministers are to be decided in the EPSCO Council in order to support coherence, ownership and implementation. This means that all issues related to EPSCO competence in the field of social protection, including those raised under SGP, need to be discussed jointly by the EPSCO and ECOFIN advisory committees. In some cases CSRs have remained overly prescriptive, thus preventing Member States from having the necessary political space to consult effectively with social partners on important social reforms.

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