



Council of the  
European Union

Brussels, 28 November 2016  
(OR. en)

14363/16

SOC 701  
EMPL 480  
ECOFIN 1035  
EDUC 373

**NOTE**

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From: Presidency  
To: Permanent Representatives Committee/Council  
Subject: European Semester 2017

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Delegations will find attached the Presidency note for the exchange of views on the 2017 European Semester package at the EPSCO Council on 8 December 2016.

## European Semester 2017

EPSCO, 8 December 2016

*Presidency background note*

In a global context increasing political uncertainty, slow growth and weaker trade flows may foreshadow challenging economic developments. Europe's economy is so far proving to be relatively resilient, though recovery is still fragile. Only continuing sustainable, inclusive and job-intensive growth will allow for unemployment to keep falling. Decreasing further the number of people out of work and sufficient income to live on for those in and outside work will be a prerequisite to deliver on the expectations the EU and Member States have been pledging, in order to not prolonging economic and social frustrations of many Europeans. This is indispensable for giving renewed impetus to the European project. In addition, within the Union, a strengthened EMU should therefore also be an inclusive EMU, where the employment and social impact of reforms is duly taken account of.

The employment and social situation in the EU is gradually improving. The employment rate is once again above the 2008 level. The unemployment rate has kept falling, standing at 8,5% in the EU-28 and 10% in the euro area (September 2016 data). But difficult challenges still lie ahead. Growing inequalities need to be tackled and concrete measures need to stop further widening of the gap between the haves and not-haves. Though declining, youth and long-term unemployment rates are still very high in some regions and Member States. Gender employment and pay gaps remain wide. The labour market and social integration of migrants and other excluded groups of the population will require more tailored policy efforts over the coming years. These challenging tasks need to be put high on the agenda in order to achieve a better use of human capital and to enhance employment and social outcomes.

The Commission proposes in the Annual Growth Survey to maintain the main priorities of relaunching investment, pursuing structural reforms and ensuring responsible public finances. The Commission also proposes pledges to pursue a positive fiscal stance for the euro area, supporting the monetary policy of the European Central Bank. Economic, employment and social policy should place more emphasis on supporting long-term sustainable and inclusive growth which generates jobs. Where necessary, policy adjustments may be required to achieve this.

Recent economic forecasts point towards moderate growth, with job creation set to continue. Critical for European citizens is whether these modest growth perspectives allow for the persisting negative employment and social effects of the crisis to be overcome. In particular the high poverty levels, social exclusion and social outcomes in general, varying significantly across countries, need special attention. Widespread and persistent inequalities do not only raise concerns in terms of fairness, but also in economic terms as they lead to an under-utilisation of human capital and investment.

Therefore, policies and actions need to tackle the challenges in a comprehensive approach. For having a real impact, Member States' action are to be taken in different areas, including tax and benefits systems, education and skills, healthcare, as well as wage setting policies, where Social Partners have a central role to play. Furthermore, the design of the systems and institutions need to adequately support their functions in dealing with inequalities, social exclusion and poverty. Given that the already moderate growth path may be negatively affected by external factors, in particular by the current global economic and political uncertainty, sustainable and decisive policy action will be required.

Against this background Ministers are invited to present their views on the main elements of the Commission 2017 economic package, with particular focus on the common objectives within the E(M)U.