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NOTE

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

Delegations will find attached a note from the Presidency outlining the context for the policy debate and providing guidance with a set of questions for discussion by Ministers at the EPSCO Council on 15 June 2017.

European Semester 2017

Policy debate

Presidency steering note

EPSCO 15 June 2017

THE NEED FOR CONTINUED REFORM

The EU has now a firm and continuous economic recovery. In 2016, both the EU and euro area economies grew by nearly 2%, faster than those of the United States and Japan. The number of Europeans at work is the highest ever measured, reaching almost 233 million people. The job-rich recovery has also helped to reduce poverty and social exclusion in the EU: the share of the EU population at risk of poverty or social exclusion (23.7 % in 2015) is the lowest in five years, reflecting a decline in severe material deprivation and jobless households.

Despite these welcome improvements, disparities in productivity and economic performance persist across countries and regions, and economic growth has so far not benefited the whole population equally. Poverty and social exclusion are still too high and income inequality, while now stable, is high by historical standards and continues to increase in some Member States. Addressing the legacy of the crisis remains an urgent priority.

Reforms need to continue to sustain the current positive economic, labour market and social trends. They need to support the modernisation of our economies and generate growth and wealth for future generations. Well-designed and appropriately sequenced reforms, which consider distributional impacts, should serve to empower EU citizens and business to contribute to and benefit from growth, foster economic and social convergence across Member States, and minimise any adverse effects of technological and demographic change, as well as new adverse economic shocks. EU economies need to be competitive, resilient and innovative.

Employment and social priorities must be a key part of the reform efforts for the coming months and years. Structural reforms are needed to foster social justice, mitigate income inequalities and support convergence towards better outcomes. Ensuring the long-term sustainability of economic growth and improving resilience to future economic and societal challenges requires reforms that facilitate investment in social infrastructure, such as education, vocational education and training and life-long learning, childcare and healthcare.

THE 2017 COUNTRY-SPECIFIC RECOMMENDATIONS

Since the start of the process in 2011, the European Semester has gradually developed and improved to become a smooth mechanism allowing Member States to shape and coordinate their economic policies through sharing of best practices and peer review. Since the start of the Semester process, substantive progress has been made on implementation of recommendations, yet there are still differences in the pace and depth of the implementation of reforms across Member States. This year's CSR package was issued by the Commission on 22 May. The overall objective of the 2017-2018 recommendations is to deliver more jobs and faster growth, while better considering social fairness considerations.

CSRs covering employment, skills and social issues represent a significant share of all CSRs. This year, sub-CSRs were grouped together on the basis of a common challenge or related fields of actions, resulting in a decrease in the total number of recommendations.

Special emphasis was put on the recognition of the crucial role of **social partners**, notably in collective bargaining, in line with national practices; the involvement of social partners in the design and implementation of relevant policies and reforms is essential to increase their ownership and effectiveness. Progress has been made to increase the involvement of social partners in the European Semester, both on the European level and in many Member States. These efforts should be continued and where appropriate reinforced, in particular at the national level.

CSRs can be grouped per the following priorities and challenges:

- More needs to be done to **improve participation in the labour market**. Unemployment remains high; under-employment of older workers needs to be reduced and gender employment gaps and gender pay gaps remain significant. An effective combination of active labour market policies, life-long learning, health policies and pension reforms is required to support a more active older population. Additional efforts are needed to improve access to the labour market of marginalised groups, including people with a migrant background.
- Youth and long-term unemployment remain urgent priorities and more efforts are needed to **promote resilient and inclusive labour markets**. These include tackling labour market segmentation and increasing the effectiveness of active labour market and social policies. Likewise, there is a need to develop collective bargaining systems that are more conducive for job creation and raising productivity growth.
- **Social protection systems** must provide enabling services to all and adequate income support to those in need, while fostering employment and labour-market participation. An appropriate balance is needed between flexibility and security, including an adequate level, coverage and duration of social protection. Reforms that make work pay are also needed to encourage transitions into employment.
- **Income inequality and poverty** need to be addressed when designing policy reforms and monitoring their implementation. This requires a comprehensive set of preventive and mitigating policies, including equal access to education and health care, improved labour market opportunities and earnings prospects, affordable quality services and well-designed tax and benefit systems.

- Reforms need promote **up- or re-skilling the population** with basic skills and improving the **labour market relevance of education**, vocational education and training, tertiary education and life-long learning. Efforts should also focus on reducing inequalities in access to quality education.

The shared understanding that comes from the joint work in various committees throughout the year and the dialogue between Member States and the Commission, including on the 2017 Country Reports, contributes to an improved ownership of the European governance process. This closer cooperation has led to smoother and more efficient work in the Committees, serving as a testament to the improvements made over the years in the Semester process.

QUESTIONS FOR DISCUSSION

- 1) *Considering the increased public attention directed at social and employment challenges, do the 2017 Country-Specific Recommendations (CSRs) cover the most pressing challenges in the employment and social fields?*
- 2) *What can be done to enhance implementation of CSRs, in order to make best use of the current macroeconomic upturn in the EU? What do you see as major obstacles to a better implementation of CSRs?*