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THE EUROPEAN UNION**

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to:	General Affairs Council

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Subject:	Council Recommendations on the National Reform Programmes (2013) to each Member State, including Macro-economic Imbalance Procedure (MIP)
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- *Approval*

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**I. INTRODUCTION**

In the framework of the European Semester, the Commission submitted on 29 May 2013 to the Council:

- a Recommendation for a Council Recommendation on the implementation of the broad guidelines for the economic policies of the Member States whose currency is the euro and
- for 23 Member States a Recommendation for a Council Recommendation on the National Reform Programme 2013, and delivering a Council Opinion on the updated stability or convergence programme.

These recommendations were examined by the relevant committees (EMCO, SPC, EPC, EFC/EFCA) which also considered certain issues in a horizontal manner with the aim of ensuring the consistency of the Recommendations across the Member States.

On 19 June, Coreper (Part I) discussed the employment and social policy-related aspects of the Recommendations and agreed on some modifications regarding the text of the draft recommendation to Poland. It was also agreed to modify the reference to the Employment Committee, the Social Protection Committee and the Economic and Financial Committee in the visa section of all the draft recommendations, based on advice of the Council Legal Service.

## II. **DISCUSSION OF EPSCO MINISTERS**

At its session on 20 June, the Council (EPSCO) held a policy debate on all the sub-items on the 2013 European Semester, with particular focus on the country-specific recommendations. Ministers recognised that the European Semester was gaining maturity through enhanced political dialogue between the Commission and Member States and improved coordination between the relevant preparatory committees on cross-cutting issues. Special emphasis was put on the following aspects:

On the substance of the recommendations:

- the CSRs are a useful instrument in guiding policy responses to the main challenges faced by Member States on their labour markets and in their social protection systems. However, structural reforms and adjustments take time and it is clear they need to be implemented with great care in order not to damage other goals and to maintain social acceptability. In preparing the recommendations, account should therefore be taken of the efforts already deployed at national level and of the need to concentrate the recommendations on the desired outcomes while leaving discretionary scope for governments and social partners to negotiate the details of the reforms. In particular, account should be taken of the political desirability to consult the social partners and other relevant stakeholders in areas such as pension reform;

- in view of the increasing levels of poverty in various Member States, the CSRs should further integrate social protection and poverty reduction elements as supporting measures to promote employment and reduced poverty aiming at reaching the EU 2020 objectives;
- there are divergences of views between the Commission and most Member States with regard to the compromise language applied to most CSRs on pensions (increasing the effective retirement age or pension benefits to changes in life expectancy) as compared to linking the statutory retirement age to life expectancy as the most appropriate policy option in the area of pensions. More generally, it has been stressed that pension reforms need to include an effective mix of measures reinforcing the adequacy of the system and improving its sustainability and that closing the pension gender gap requires actions to ensure equal opportunities in the labour market;
- concerns have been raised about the lack of consistency between recommendations in a given sector and the Community *acquis* as well as the relevant legislative proposals falling under the ordinary legislative procedure in the same sector.

On the process:

- While Ministers fully recognise that the preparation and organisation of the European Semester exercise has improved, they nevertheless still consider that the available time between the submission of the CSRs and the examination in the committees is too limited to allow the necessary national coordination and to have an in-depth examination in a genuine multilateral way. These shortfalls should be addressed in the evaluation in the second half of the year in order to find a more satisfactory solution for the process next year;
- The economic, financial and budgetary situation of individual Member States should be better assessed when preparing CSRs and the impact of these measures should be monitored with a view to avoiding possible pitfalls;

- Linkages should be established between labour market reforms and structural reforms in other sectors;
- The bundling of MIP and non MIP relevant recommendations in the same CSR has added complications to the division of responsibilities and the smooth handling of discussions. A clearer identification of the relevant issues in the CSRs would help to make the process less complicated in future exercises and ensure that all employment and social policy issues are decided in the domain of the EPSCO Council.

**On specific CSRs:**

CZ indicated that it could not accept CSR 3 and recitals 11 and 12. HU stated that it cannot at this stage approve CSR 4, the content of which falls within the competency of the EPSCO Council, as well as other CSRs, and that it will raise these issues at the ECOFIN Council on 21 June 2013. It entered a Statement for the Council Minutes as set out in Annex to this Report.

**Statement by Hungary****EPSCO Council, 20 June 2013**

Hungary continues to have serious concerns on its country-specific recommendations and cannot approve them at this stage. The main concern is related to any reference made to the independence of the judiciary. There are also concerns in relation to recommendations on regulated energy prices, taxation and business environment. Hungary will raise these issues at the ECOFIN Council of 21 June 2013.

With regards to recommendations falling within the field of competence of the EPSCO Council, Hungary cannot agree with recommendation No. 4 calling to “*reduce the dominance of the public works scheme*”.

The primary goal of Hungary is to increase the number of workplaces in the private sector, while fostering the employment of the most disadvantaged people in the short run, until labour demand and economic growth are restored. The public work scheme provides employment instead of social benefits for the most disadvantaged people being long-term unemployed and having low level of qualification. These workers would not be able to work immediately, reintegrate in the labour market and cope with expectations of the open labour market.

Reducing the public work scheme in the short run would have serious negative consequences on these people and would compromise the achievements reached so far, like the reintegration of more than 20.000 workers into the labour market.

Hungary is aware of the importance of activation measures within the public work scheme therefore, we are committed to strengthen and extend the already existing activation elements. The objective is to develop key competences and skills of the participants during the rest of the year in 2013.

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