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ADDENDUM TO COVER NOTE

from: The Social Protection Committee
to: Delegations

Subject: Evaluation of the 2013 European Semester in employment and social policies:
(a) Contribution of the Social Protection Committee
- Endorsement

Delegations will find attached the Social Protection Committee's full evaluation of the third European semester.



The Social Protection Committee

Ex-post evaluation of the third European semester and recommendations for further improvements: report to the Council

Introduction

The 2013 European semester marked a step forward in the right direction both in terms of policy discussion and governance. For a third time, the SPC successfully participated in the semester and delivered on the Council mandate to provide its advice on social protection issues addressed in the country specific recommendations.

This report examines the main issues from policy and process perspectives and identifies areas for further improvements. Each section presents recommendations for endorsement by the Council.

1. Preparatory phase of the Council decision on the proposal for recommendations

Already in September 2012, SPC and EMCO had the possibility to discuss with the Commission some of the orientations of the 2013 Annual Growth Survey. The Committee appreciated the openness of the Commission. It is essential that this practice continues by enhancing the exchanges between Member States and the Commission on the policy priorities for the future AGS(s) including on the issues raised in the thematic papers published by the Commission.

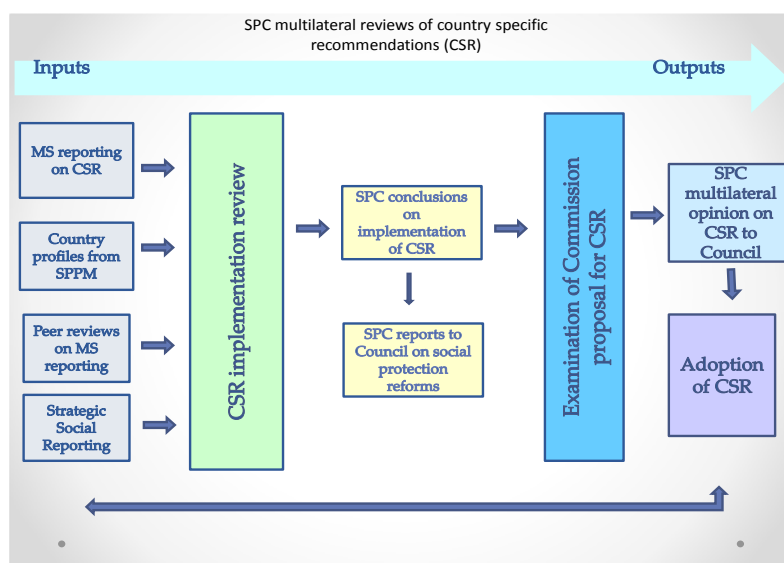
As the AGS is a key document launching the semester, it is crucial that it benefits from being seen as part of the dialogue between Member States and the Commission in order to be used in the national policy-setting process. Further, the future AGS could more explicitly reflect on the outcome of the previous years' work in order to illustrate the cyclical nature of the semester.

The SPC preparations for the second semester started in February 2013 with:

- a review of the implementation of the Council recommendations issued in 2012 on social protection policies (pensions, health and long-term care, poverty reduction and social inclusion); and
- ii) country surveillance on the 2013 National Reform Programmes (NRPs).

The implementation reviews and the country surveillance were carried out with a view to prepare the Council's examination of the Commission proposals for country-specific recommendations (CSRs).

The chart below shows the different steps of the SPC multilateral surveillance process.



The implementation reviews follow a methodology approved by the Committee in 2012. Accordingly, each Member State recipient of a Council recommendation in the areas of social protection and inclusion presents the implementation report of the recommendation to all other Member States using a standard reporting table. The presenting Member State is assessed by a reviewing Member State and by the Commission in plenary.

The multilateral implementation reviews on previous Council recommendations are an useful collective tool for assessing progress against the issued recommendations. They need to be continued with the view to further improve the mutual understanding between the Commission and Member States on progress made.

On the basis of these reviews the Committee reaches multilateral conclusions, which can be found in Council document 10222/13 ADD 1. Yet, the SPC would need to improve the use of the Social Protection Performance Monitor particularly in the underpinning of its multilateral conclusions.

These conclusions helped to build a shared understanding within the Committee and with the Commission on the implementation status of the previous recommendations and the adequacy of the measures taken to address them. These conclusions were used for the Council explanations of modifications made to the Commission original proposal by the Council

Further, all Member States implementing economic adjustment programmes had the opportunity to report the implementation of these programmes (social policy parts) to the SPC within the framework of the Committee thematic surveillance. They were also fully involved in the implementation reviews on the 2012 CSR as reviewing Member States.

Finally, as part of its preparations for the third semester and in order to provide clarity, transparency and predictability of the decision-making process, the SPC amended its internal rules of procedure and introduced the possibility for qualified majority voting.

2. Improving the Semester's contribution to better policies for inclusive growth

Between 2011 and 2013, the number of Council recommendations seeking to trigger a social policy reform increased in all areas monitored by the SPC (see table 1). While the number of Member States with pension recommendations remains stable (in 2013 Cyprus and Denmark did not receive a pension related recommendation), in all other social protection areas the number of countries with recommendations is steadily growing.

	2011	2012	2013	Annual growth change 2012-2013 (in %)
Pensions	15	17	15	-12
Health and long-term care	2	5	15	200
Poverty reduction and inclusion	2	7	9	29
Roma inclusion	0	3	4	33
Effectiveness and efficiency of social protection systems	1	5	9	80

Building on the procedures and process established within the framework of the economic coordination organised by the six and two packs, the European semester became an instrument for an overall policy co-ordination. Therefore there is a need for an increased role and supervision of the semester by the EPSCO Council and its advisory bodies (the semester covers all social protection policies through their budgetary and fiscal parameters). In addition to the Employment Performance Monitor and the Social Protection Performance Monitor, the Council's role and contribution to the semester could be enhanced by using an integrated instrument focussing on key employment and social developments.

In some cases, the 2013 recommendations were overly prescriptive particularly on policy areas where Member States have an exclusive competence.

While the precision of the desired outcome of the recommendation needs to be safeguarded, the decision to reform in response to a Council recommendation depends on the national buy-in of the proposal and its feasibility within the time horizon of the Semester (12 to 18 months). Experience shows that when the Commission and the Member State concerned have diverging views on the timelessness of the proposed reform, its scope and measures, there is a risk of insufficient policy discussion both at EU and at national levels and limited national implementation.

In the social policy area, the rationale for proposing a recommendation very often rests on statistical gaps between EU averages and national achievements. While informative and useful, this approach does not show progress made by Member States over time. Further, the proposals for recommendations on improving the effectiveness of social protection systems are based on the comparison between the poverty reduction capacities of different social protection systems. Notwithstanding the illustrative value of this approach, it reduces the functions of social protection systems to their safety net's sub-function and fails to take into account the in-kind services provided by social protection systems. Further work is needed based on inputs from the ISG and the SPC ad-hoc group on the effectiveness, efficiency and financing of social protection.

Health and long-term care represent the second most important element of social protection spending (after pensions) and a significant part of public spending. They have become under closer scrutiny in the context of the European Semester. The 2013 package contained more health and long-term care related recommendations. Some of these were predominantly addressing issues of effectiveness and efficiency of health care systems, others also included prevention and the need for independent living. Assessing the effectiveness of the health care systems needs to be based on a common framework agreed between Member States and the Commission within the Joint Assessment Framework.

On pensions, the 2013 semester confirmed that there is a divergence of views between the Commission and most Member States with regard to the specificity required of the most appropriate policy measures for improving the sustainability and adequacy of pensions in the short term. While linking the statutory retirement age to life expectancy is a measure positively impacting the sustainability of pension systems in the long-run, the short and medium-term focus of the recommendations (12-18 months) needs to be used for closing the gap between the effective retirement age and current statutory retirement ages. Further, reforms in this sensitive area need stability and consistency in the formulation of the recommended policy measures. Experience also shows how important it is that the Commission participates in the efforts of the Committees' Chairs in finding a reasonable compromise through discussing the possible alternatives to its proposals.

3. Improving the semester's process and governance

The European semester is gaining maturity through enhanced political dialogue between the Commission and Member States and improved coordination between the relevant preparatory committees on cross-cutting issues. In the social protection area these include health, pensions and long-term care policies.

There are two key factors that have been identified as critical for the success of the Semester.

a. Timing

The Semester deals with important political reforms which require time at national level not only for implementation but also for negotiations with national stakeholders. The time allocated both to the Council preparatory bodies to prepare the Council position and to the Member States to comment and discuss the proposal in a genuine multilateral way (5 working days between the publication of the proposal and the first Committee meeting) is disproportionately short compared to the time available to the Commission to prepare the package (six months).

In this regards and building on the positive response received from the bilateral meetings between the Commission and Member States, improvements need to continue to be made to the consultation process including in the phase before the publication of the recommendations.

b. Governance

Under the leadership of the Irish Presidency, significant improvements were made to the European semester as a whole with particular focus on the governance and on the co-operation between the responsible Council formations and their advisory bodies. As the semester is an evolving process, there are further opportunities for future improvements.

It is crucial that the forthcoming Presidencies ensure continuity of the good practices established so far for:

- an early involvement with the Committees' Chairs;
- timely confirmation of the voting arrangements;

- a clearly confirmed vision with regard to the equal roles of EPSCO and ECOFIN on all issues of cross-cutting nature; and
- respect for the mandates of the advisory Committees in line with the applicable Treaty provisions and the clarifications of the Council Legal Service.

Issues that need to be further improved include the analytical and legal rationale justifying the bundling of social protection issues with recommendations under the macro-economic imbalance procedure (MIP) (this was the case of BG-Rec. 3, FI-Rec.3, ES-Rec.1, FR-Rec.1, HU-Rec.4, the NL-Rec.2, IT-Rec.4, SI-Rec.2, MT-Rec.2), as well as the bundling of social policy issues with recommendations reflecting the Council opinion on the stability and convergence programme (this was the case of ES-Rec.1, FR-Rec.1, SK-Rec.1, FI-Rec.1, DE-Rec.1, PL-Rec.1 and RO-Rec.3).

In addition, the involvement of the SPC in the joint policy discussion with the EPC on cross-cutting issues needs to be reviewed as the arrangement applied in 2013 was ambiguous: as the ECOFIN preparatory bodies declined to hold a joint meeting with the SPC, SPC Members took part in the joint EPC-EMCO meeting. Despite the drawbacks of this arrangement, the Chairs managed to avoid diverging opinions between the Committees on cross-cutting issues.

Further, internal co-ordination at national level is essential. This includes not only the position of national delegations on their own recommendations when these are discussed, but also the position of national delegations on other Member States. In cases where a Member State accepts the recommendations, time could be saved by automatically endorsing the Commission proposal without further discussion.

Similarly, there is further room for improvement of the joint work between EMCO and SPC particularly in terms of agenda setting of the joint meetings, approaches to issues of joint interest and the practical arrangements of the joint meetings.

On the basis of this report, the SPC prepared for the attention of the Council recommendations for improvements.