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COVER NOTE

from: The Employment Committee
to: Permanent Representatives Committee (Part I) / Council (EPSCO)
Subject: The Social Dimension of the EMU:
(b) Contribution of EMCO

Delegations will find attached a contribution of the EMCO on the Commission Communication on 'Strengthening the Social Dimension of the EMU', with a view to the Council (EPSCO) discussions on 15 October 2013.



The Employment Committee

Contribution of the Employment Committee on the Commission Communication on strengthening the social dimension of economic and monetary union:

A reinforced European Employment Strategy to strengthen Economic and Monetary Union

This contribution by the Employment Committee (EMCO) is based on the views within the committee of the issues raised in the Commission Communication of 2/10/13. It accounts for several discussions within the committee as the debate matured, and is based on the earlier contribution of the committee to the EPSCO breakfast debate on the social dimension of EMU. This contribution should be read in conjunction with the joint contribution of the SPC and EMCO on proposals for a scoreboard to monitor employment and social imbalances.

A stronger social dimension of EMU:

EMCO welcomes the renewed attention on the social dimension of European policies. It underlines that a competitive Europe needs a return to growth and jobs to help deliver a strong social dimension. And it underlines that economic and monetary policies should go hand in hand with measures to improve the employment, labour market and social situation. The need for a better equilibrium of different policy strands has never been more evident than today.

Severe employment and social problems in one Member State within a currency union have negative economic spill-over effects. Indeed, within a currency union employment and social difficulties risk getting much bigger unless they are promptly addressed. The EMU's current design limits unilateral adjustment and the only adjustment mechanism that remains available to individual countries is 'internal devaluation' which carries social costs and can undermine social consensus and legitimacy in the countries concerned, particularly when combined with a wider fiscal consolidation effort.

Economic interdependence among members of a currency union is so high that timely prevention or response to major employment and social imbalances is of collective interest. Major labour market reforms (or their absence), to a varying degree will have spill-over effects across the Union. The promotion of high employment and the guarantee of adequate social protection are prominent objectives of the European Union, as expressed in the Treaty. They are cornerstones of European integration and must be central to any future reform of the Union to complete economic and monetary union.

A properly functioning EMU needs Member States to work together to address, in a balanced and coordinated way, economic, employment and social imbalances which have implications for the currency union as a whole. A strong social dimension would ensure priority is given to policies to lead the EU towards full employment. The social dimension should therefore be built around a renewed effort to deliver the relevant employment, education and social inclusion targets of Europe 2020.

Built on the foundations of Article 148 and a European Employment Strategy that has demonstrated its value:

The policy orientation and methods of the European Employment Strategy (EES) play a proven role in the EU response to the current and developing economic and social situation. The EES became operational at the same time as the creation of the Euro, and will remain relevant in the context of a stronger and more effective Economic and Monetary Union (EMU). The social dimension to EMU should have a reinforced EES at its core.

The EES was created to support reforms to help people and labour markets to be responsive to economic change, and to that end has provided 15 years of experience in the coordination of employment policies across the EU, based on Article 148 of the Treaty. Three years of this experience has been within the integrated nature of the European Semester, aiming to help the European Union to manage the current crisis and make progress on achieving the Europe 2020 objectives.

And proven it can adapt to changes in circumstance:

In the context of the European Semester, the EES, based on the employment guidelines, has proven to provide a strong framework for coordinating policies of Member States through multilateral surveillance. The governance of employment policy has been continually enhanced, with a common understanding reached on shared challenges, rigorous monitoring of countries' progress on the implementation of recommendations, increase peer pressure, and multilateral analysis of the thematic priorities agreed in Council.

It is therefore the strong view of EMCO that new processes are not required. Article 148 of the Treaty should be used to its full potential in order to better balance existing governance arrangements within the European Semester and as a complement to the Macro Economic Imbalances Procedure. It can provide a strong basis for the EPSCO Council to enhance its cooperation with other Council formations and their Committees.

Inclusive to all Member States:

The social dimension of EMU should be inclusive to all of the 28 Member States. The EES, with country-specific recommendations based under Article 148, has demonstrated its ability to be able to cope with policy guidance in a context where no one size fits all. EMCO has fully involved countries operating under a Memorandum of Understanding in this work, and this has demonstrated its value. Where the EMU would involve enhanced governance arrangements beyond the semester non-Euro countries should be given the possibility to fully participate.

Enhanced governance arrangements to make multilateral surveillance deliver:

EMCO believes that steps to strengthen the social dimension on the basis of the European Employment Strategy should include:

- A stronger social dimension built through the employment guidelines, which could be broadened and strengthened. The mid-term review of Europe 2020 could be used as an opportunity to update the guidelines and make them more transparent and user-friendly, further enriched by social dialogue. These guidelines could spell out some minimum commitments that Member States, in cooperation with social partners according to national traditions, should aim to provide. Policy guidance inspired by best performance and benchmarking can help spread good practice and focus efforts for tackling challenges for the EU as a whole. Learning from the experience of the Youth Guarantee, the scope for best practice promotion through stronger policy coordination could include such areas as the efficiency and effectiveness of ALMPs, reforms tackling labour market segmentation, and the development of human capital.
- Within Article 148, the existing Employment Performance Monitor, with its elements of benchmarking and identification of “Key Employment Challenges” represents a strong and widely accepted basis to further improve and to build upon.
- Stronger and more efficient EMCO’s multilateral surveillance on the basis of grounded analysis, peer pressure, and exchange of relevant best practices as the main instruments to foster reform. Building upon the existing ex-ante component of EMCO’s work, this could include both ex-post multilateral surveillance and voluntary ex-ante review. EMCO stands ready to reinforce its current work and work closely with others to provide this. Such work, within the mechanisms of Article 148 and the European Semester, should fully respect national legislative practices.
- Stronger and more frequent social partner involvement building on existing arrangements to ensure legitimacy and ownership at both national and European level, in particular through a better dialogue with Social Partners in developing National Reform Programmes according to national practice. On the basis of recent discussions, the proposals set out in the Commission Communication, and the forthcoming declaration by the European Social Partners, EMCO stands ready to come forward with specific proposals to improve cooperation and streamline processes.

- The Commission Communication refers to proposals to create an instrument within the EU economic governance framework to support rebalancing, adjustment and thereby growth, through a "Convergence and Competitiveness Instrument" and/or automatic stabilisers. EMCO considers this debate to be insufficiently developed to give specific views, but given the technical challenge in further elaborating any thinking on this, stresses the importance of involving the committee.
- EMCO notes the Commission's intention to introduce a social and employment chapter into the in-depth reviews as a way to strengthen the analysis of the Macro-economic Imbalances Procedure, as well as the proposal of adding auxiliary indicators in the Alert Mechanism Report, which will require further discussion.
