



**COUNCIL OF  
THE EUROPEAN UNION**

**Brussels, 20 September 2012**

**13685/12**

**SOC 736  
ECOFIN 772  
EDUC 259**

**NOTE**

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from: The Employment Committee  
to: Permanent Representatives Committee (Part I) / Council (EPSCO)  
Subject: Evaluation of the second European Semester and thematic surveillance in  
employment and social policies  
- Contribution of the Employment Committee

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Delegations will find attached the contribution of the Employment Committee to the evaluation of the second European Semester and thematic surveillance in employment and social policies, with a view to its endorsement by the Council (EPSCO) on 4 October 2012.

## **Evaluation of the second European Semester and thematic surveillance in employment and social policies**

### **Ways forward**

This note builds upon September discussions held within EMCO and its sub-groups on the 2012 European semester process. It aims to provide EPSCO Ministers with an outline of a series of steps EMCO will take in order to further improve the committee's involvement in the 2013 process, and set out a series of measures and reinforced tools to help ensure EPSCO plays a prominent role, addressing all issues under its competence.

#### **1. Notable progress in certain areas:**

Taken in its entirety, the 2012 Semester should be considered a qualified success for EMCO. In a number of ways the committee's role and remit was enhanced, although there are some notable areas demanding improvement.

Steps taken throughout the full calendar enabled EMCO to act collectively in assessing the Commission's proposals during the critical June phase. In particular the ambitious work programme of thematic and country reviews undertaken to strengthen multilateral surveillance concentrated on the implementation of policies to address the recommendations, and coupled with a more active use of the Employment Performance Monitor, considerably enhanced the committee's collective knowledge and helped generate peer pressure. The active use of the conclusions of these reviews helped generate a multilateral position in discussions and helped justify, where necessary, changes under the "comply or explain" rule. This surveillance, coupled with new voting arrangements, did strengthen a multilateral view in EMCO on changes that were transmitted largely intact on to the Council, although given that ownership was not seen by other committees as shared, these conclusions were not defended across the board.

## 2. Areas to improve:

Given both the intensity and complexity of the European Semester there will inevitably be areas which can be further improved. Much of this is characterised by the fact that Europe 2020 is becoming an ever-more complex process, integrating more governance tools, and yet remains one dominated by a very tight timetable. Improvements could be made under three themes:

- *A clearer elaboration of competences of Council formations and their committees, coupled with common working arrangements.*

The integrated nature of Europe 2020, coupled with new tools to enhance economic governance, has added to the complexity of the process. The 2012 process was characterised by overlap in competences and work of the Council formations and their committees. This should be improved to ensure genuine parity between Council formations, in particular through a clear division of responsibilities agreed with the Presidencies in advance. However, even with these steps, the European Semester will remain a complex one, and it is clear that ever closer cooperation between Council Committees is both essential and can be further improved. EMCO will continue to fulfil its mandate to address all recommendations falling within the Employment Guidelines, regardless of their legal base, so that EPSCO has clear policy guidance in all areas of competence and is able to fully address and influence these recommendations. This includes all elements of the Employment guidelines, and notably recommendations related to wages, active ageing, taxes on labour, and employment protection legislation.

2012 was also the first year that voting was used to establish majority opinions in the committees. This contributed to the quality of the EMCO debate. However, if this is to continue in 2013 the Presidency should ensure that one set of rules are applied consistently across all committees.

- *Timetable considerations*

The limited time available during the European semester was again a significant constraint in 2012. Whilst it is recognised that there will always be severe time constraints for discussion within the committees, more could be done to ease the burden in advance. In particular, more open and inclusive bilateral and multilateral discussion between the Commission and Member States before the Commission proposals arrive would help clarify issues and allow committees to focus primarily on the core issues concerning reforms. At the end of the process, carefully planning of the dates of the EPSCO, ECOFIN and GAC Councils to ensure they are as late as possible would be beneficial.

- *Interaction between the Commission and Member States*

One major novelty of the 2012 process was the application of the "comply or explain rule", applied across all recommendations, regardless of legal base. This undoubtedly led to a process with more teeth, and provided for a much stronger role from the Commission. More consideration should now be given to balancing out this stronger role, with more consultation and discussion with Member States in advance of the Commission proposals. Alongside this, it is important that officials representing the Commission in committee meetings are given the mandate to negotiate on changes that do not alter the objective of the draft CSR. The "comply or explain rule" should need only be applied to core substance on the outcome that the CSR aims to achieve.

### 3. Proposal to further improve the European Semester:

#### a) Strengthening EPSCO's tools for enhanced surveillance throughout the year

The thematic and country reviews carried out by EMCO, whilst demanding on Member States and Commission, have proved their worth. EMCO will continue with a further ambitious programme of reviews of the 2012 CSRs, beginning before the end of the year. The reviews will concentrate on the assessing the implementation of policies to address the CSRS. In order to further improve the process EMCO will:

- Produce and agree robust conclusions from these reviews to help generate a multilaterally agreed review on implementation in advance of the new set of proposed CSRS in June. These conclusions, coupled with the EPM and any further monitoring tools, will be the primary evidence base for changes under the "comply or explain" rule in EMCO discussions in June (and with other committees).
- Carry out more reviews jointly with other committees (SPC, EPC and the Education Committee) on issues of common concern.

In addition to this surveillance work, a number of new monitoring tools will be used for the first time in the 2013 semester. In particular EMCO will:

- Work closely with the Commission to agree, on the basis of Commission proposals, a "Reform Tracking Device". This device will provide for a more continuous monitoring of the implementation of policies to address the Employment recommendations and key challenges. The first version of this device will be presented to EPSCO in early 2013, and updated on a quarterly basis.

- Further improve the Employment Performance Monitor and submit a revised update to the December EPSCO for endorsement, aiming to set out commonly agreed key employment challenges for the Member States. This will be complemented by a benchmarking tool to identify key challenges, compare performance and add peer pressure.

b) Closer working cooperation with the Presidency, between committees and across Council

Given the complex nature of Europe 2020 and the wide range of issues addressed, it is essential that the committees cooperate ever more closely and do not duplicate work, while respecting the specific role and competence of each committee. In order to help ensure this EMCO recommends:

- Establishing a close working relationship with the Presidencies and the Commission to ensure an agreed set of working arrangements before the 2013 Semester begins. This should cover one set of voting rules, clearly establish chronology of meetings, use of agreed multilateral positions, and clarify which committees address respective issues. These working relationships should fully recognise the full role EPSCO must play in deliberating on all Europe 2020 issues related to Employment and Social Affairs.
- Joint Meetings between Council Committees at the end, rather than the beginning, of the June process should help avoid the same issues being discussed more than once and clarity on decision making stances. There should be no meetings of the committees running in parallel.
- Given that it is the Employment and Social Affairs Ministers that are tasked with implementing the labour market reforms, EPSCO should consider all parts of the Recommendations package that address this role. Given integration of package, this also requires that thought is given to the merits of holding a joint EPSCO and ECOFIN Council meeting to address country specific recommendations of common concern or competence.

- Member States submit one set of written comments on the Commission's proposals for Recommendations to all committees. The Commission should reply to these comments in writing, enabling the secretariats to substantially narrow down the issues for discussion.
- The Commission establishes a clear line on the use of "comply or explain" and whether this should cover all legal bases for CSRs.

c) Easing time constraints:

In order to try and alleviate some of the time pressure during the Committee phase, EMCO recommends:

- Member States ensure NRPs are submitted on time (and in a working language), meaning mid-April.
- The Commission advances the publication of SWDs and thematic studies and discuss the preparatory analysis before publication. Findings under the MIP in-depth reviews should also be brought forward.
- More careful thought should be given to the dates of Council meetings in June so they are as late as possible.
- A reflection on the language regime and translation demands for the June package – with English version for EPSCO adoption and national languages made available shortly afterwards.

d) An open and inclusive process – Commission and Member States.

To help ensure an ever-more complex working relationship functions effectively, EMCO recommends:

- The "comply or explain" should be balanced by closer bilateral and multilateral contact from the Commission. Bilateral meetings after adoption of the Staff Working Document would help clear up inaccuracies and present argumentation.

- The findings of in-depth reviews conducted in the context of the Macroeconomic Imbalances Procedure, when they address labour market issues should be presented to EMCO.
- The "comply or explain" rule should not be needed to for all changes regardless of scope or scale. The Commission needs therefore to reconsider the role it plays in the June discussions within the committees, giving a mandate to officials to consider amendments that maintain the target of a reform proposed for the country.

e) The Policy advice given to Member States:

EMCO welcomes the increasingly relevant policy advice provided for in the CSRs, and their further focus on priorities. With this in mind EMCO recommends:

- The Commission must recognise the need to leave appropriate room for the Member State to tailor an appropriate response.
- Member States in return should not endeavour to water-down the language through redrafting. Changes to Commission proposals should be kept to a minimum. Time should not be wasted on redrafting, but should concentrate on fundamental disagreements or where the wording of a proposal makes it difficult to implement in the Member State.

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