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COVER NOTE

from: The Social Protection Committee
to : The Permanent Representatives' Committee (Part I) / Council (EPSCO)
Subject: European Semester 2014: Contribution to the European Council (Brussels, 26-27 June 2014)
(c) Assessment of the 2014 CSRs package on cross-cutting issues and the implementation of the 2013 CSRs
- Endorsement of the key messages of the Social Protection Committee (SPC) report

Delegations will find attached the above-mentioned key messages with a view to the Council (EPSCO) meeting on 19 June.



Assessment of the 2014 CSRs package on cross-cutting issues and the implementation of the 2013 CSRs

A. From strong implementation to new challenges

1. In 2013, Member States undertook major efforts to respond to the priorities of the Annual Growth Survey and to the 2013 Council recommendations concerning the areas of social protection and inclusion. The most striking point of the ongoing structural social policy reforms is their scale as shown by the SPC multilateral conclusions on the 2013 recommendations concerning the areas of social protection and inclusion policies reached jointly with the Council Working Party on Public Health at Senior level.¹
2. On 2 June 2014, the Commission proposed an ambitious package of country-specific recommendations addressing key structural issues covering economic, social and employment policies. This package tries to advance the policy discussion beyond the current crisis. Some of the recommendations addressing social protection and inclusion policies are proposed as part of the Council recommendations under article 6 of Regulation (EU) No 1176/2011 on the prevention and correction of macroeconomic imbalances (MIP) and therefore their primary legal basis is article 121 of the TFEU (BG R3 and R4, DE R1, ES R1, FR R1, HR R2, HR R4, the NL R2, IT R5, SI R1 and R2).
3. Similarly, social protection reforms in the areas of pensions, health and long-term care are also subject to the recommendations reflecting the Council's opinions on the stability and convergence programmes (DE R1, ES R1, SK R1, SI R1, PL R1, PT R1, FR R1).

¹ See Council document 10288/14

4. Irrespective of the legal basis and taking into account the provisions of title X of the Treaty on the functioning of the EU, as long as the policies subject to the MIP recommendations and to the recommendations reflecting the Council's opinions on the stability and convergence programmes fall within the remit of the EPSCO Council and its advisory bodies, the concluding decisions on these recommendations need to be prepared and taken by the two politically and legally responsible Council formations for these policy areas. A clearer identification of the relevant issues in the CSRs would help make the process less complicated in future exercise and ensure that all employment and social policy issues are decided in the domain of the EPSCO Council. As defined by the current procedures and legislation (the 'six pack'), the scope of the MIP does not include policy areas and indicators related to pensions, health, long-term care and poverty reduction issues as such. There is a need to limit the range of employment and social policy issues taken under the macro-economic imbalances procedure (MIP). The application of the MIP to policy areas falling outside its thematic and regulatory scope should be avoided.

5. Regarding **pensions**, the Commission proposed 17 recommendations (AT, BE, BG, CZ, DE, FI, FR, HR, LT, LV, LU, the NL, MT, SI, PL, PT and RO). The SPC highlights the following horizontal issues:
 - As in the previous years, the Commission proposal focuses explicitly on the linking of the statutory retirement age to changes in life expectancy while giving less attention to policy options that are equally effective in enhancing pension sustainability.

 - The SPC agrees that aligning the retirement age with changes in life expectancy should be pursued as a horizontal orientation.

- However, it also emphasised that, besides the statutory retirement age and given the competence of MS in the area of social security, other tools (such as the contributory periods, the benefit calculation formula, the indexation mechanisms etc.) are available as alternative policy options increasing the effective retirement age and for adapting pension systems to changing environments.
 - The most effective and appropriate policy option in the area of pensions depends on the specificities of the national pension systems, the sustainability challenge and the current and projected adequacy of future pensions.
 - The Committee is concerned that the initial proposal did not include specifically pension adequacy while this will constitute a major political and social challenges for the years to come. It therefore supported the amendment of SI to include pension adequacy in its country specific recommendation for this country.
6. The SPC strongly supports the discussion on pension sustainability and adequacy as two sides of the same coin. The SPC also highlights that leaving the adequacy aspects for the Commission staff working documents and the sustainability issues for the Council recommendations does not draw the attention of policy makers to the economic, social and political risks associated with the increasing poverty among older people where relevant.
7. Regarding the accessibility and sustainability of **health and long-term care systems**, the 2014 package of country-specific recommendations gave a new focus on these policies with an increasing number of Member States receiving such recommendations (19 in total). The SPC welcomes the attention given to health, which is a growth-friendly factor and highlights the following horizontal issues:
- Predominantly, the emphasis is on cost-effectiveness of health care while in single cases the emphasis is on efficiency.

- The focus on independent living, rehabilitation and prevention in the long-term care recommendations has been discontinued this year from the long-term care recommendations.
8. Recommendations concerning the areas of **health and long-term care** should be discussed by the Ministers in charge in order to ensure appropriate considerations of the proposal and full involvement of Ministers who are politically responsible at national level for these policy areas, including Health Ministers. This will enhance the political weight of the final decision of the Council and will generate greater buy-in of the recommendations.
 9. Regarding **recommendations concerning social inclusion**, the Committee notes there are fewer explicit recommendations on poverty reduction. The Committee stresses that the Member States need to reduce poverty through bold actions.
 10. As reflected in the outcome of the third European Semester and as highlighted by the Social Investment Package for Growth and Cohesion, the SPC acknowledges that against the background of increasing poverty and material deprivation, the Member States have to ensure an adequate level of social protection and continuous efforts for improving the efficiency and effectiveness of social policies. In this regard it welcomes the emphasis placed in the new package on well-functioning social protection systems delivering adequate benefits, comprehensive coverage and supporting and encouraging people to return to the labour market.

B. Preliminary views on governance:

11. Under the leadership of the Hellenic Presidency, the Semester was implemented based on the previous modalities without new significant improvements.
12. In 2014, Member States and the Commission had a better mutual understanding on what needs to be done to spur growth and foster social cohesion. In the majority of the cases, Member States accepted the proposal for recommendations. Where amendments were proposed, these aimed at acknowledging the on-going efforts at national level and/or leaving the required scope for Governments and social partners to negotiate the details of the reforms. In a policy area such as social security, this is even more important compared to other policy areas.
13. The multilateral surveillance on the implementation of the 2013 Council recommendations in the social protection field played an important role in building this shared understanding between the Commission and Member States.
14. Yet, 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 was even shorter compared to previous years and disproportionately short compared to the time available for preparing the package.

15. In this regard and building on the bilateral meetings between the Commission and Member States, improvements need to continue to be made to the consultation process and to the choice by the Commission of the publication date of the proposal with the view to safeguard the credibility of the process and the commitments of Member States to reforms. In some cases, the proposed recommendations were too prescriptive particularly on issues where Member States have exclusive competence. The SPC stressed that the Council should not fix deadlines for the implementation of certain reforms as this could interfere in a counterproductive way with the competences of national Parliaments and social partners. At the same time, the purpose of the multilateral discussion should not be to dilute the level of ambition of the proposed package.

16. In preparing its country-specific opinions to the Council on the proposed recommendations, the Social Protection Committee found that holding a preparatory discussion on the cross-cutting recommendations before the joint examination with the ECOFIN preparatory bodies (mainly the EPC) provides the needed ground for reaching jointly acceptable compromises particularly on areas where the EPSCO Council has a leading role. Preparatory examinations should become the rule also for all EPSCO preparatory bodies. The design of the applied procedure should be thoroughly evaluated with the aim to focus on the major issues.