



**COUNCIL OF  
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ADD 1**

**UEM 266  
ECOFIN 667  
SOC 518  
COMPET 413  
ENV 613  
EDUC 244  
RECH 301  
ENER 314  
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**ADDENDUM TO NOTE**

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from:	General Secretariat
to:	COREPER (Part I)/Council (EPSCO)
Subject:	Draft Council Recommendations on the National Reform Programmes (2014) to each Member State, including Macro-economic Imbalance Procedure (MIP) - <i>Approval</i>

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Delegations will find attached the letters sent by the Chairs of the EMCO and SPC regarding the outcome of the examination of the Country Specific Recommendations 2014.

The Report is to be found in doc. 10901/14.

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# The Employment Committee

*The Chairman*

**Subject: Opinions of the Employment Committee on the parts of the Commission recommendation to Council recommendations under Articles 121 and 148 related to employment policies.**

Dear Minister Vrotsis,

I have the pleasure to transmit you the opinions on the draft Council recommendations (CSRs), as prepared by the Employment Committee for each Member State. Despite further increases in time pressure this year EMCO has been able to play its Treaty role under Article 148 in providing these final draft opinions to the different Council formations. This was substantially aided by preparatory work throughout the year carrying out multilateral surveillance reviews on the implementation of the 2013 CSRs, and through the Employment Performance Monitor that monitors key employment challenges.

I would personally like to thank the Hellenic Presidency for their active steering of the process, and in particular your guidance note issued before the start of the Committee phase which clearly set out the arrangements for all committees.

The opinions we submit to you of course reflect the decisions taken by EMCO on the 10 and 11<sup>th</sup> June, when we addressed issues of EMCO's exclusive competence, and account for the views of the Education Committee, whose representatives were invited to attend the EMCO meeting when discussing relevant CSRs.

Furthermore, the committee phase leading to this opinion has seen a positive and very close cooperation with the Economic Policy Committee (EPC) on issues of shared interest. These opinions consequently reflect, in full, the joint decisions taken together on 5 and 6 June, a meeting at which the Social Protection Committee (SPC) also actively participated<sup>1</sup>.

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<sup>1</sup> This includes the cases of BG, CZ, MT, ES, IE on which clear joint agreements were reached.

I would like to stress that this joint interaction is the only feasible and effective way of ensuring commonly reached compromise decisions from both the ECOFIN and EPSCO committees, thereby allowing for a meaningful discussion in both Council formations. I would again refer to the Presidency Guidance which clearly set out arrangements in this respect. We cannot afford a scenario where-by joint decisions are questioned afterwards in the committee phase, on either side. The integrity of the close working arrangements followed at the request of the Hellenic Presidency relies on Committees abiding by these arrangements.

The final EMCO opinions I transmit for EPSCO's attention have taken the initial Commission draft recommendations as a starting point. Any changes to this draft proposed by a Member State have been included in this opinion if they were accepted by the Commission or if they received the quorum required. In order to strengthen the weight of this opinion, during the meetings we took an indicative test of support mirroring voting arrangements in Council under the special qualified majority for the decisions related to these Recommendations. The justifications for such changes can be found in the "comply or explain" annex, and in EMCO's context these are based on the conclusions of our multilateral surveillance reviews.

On the 5<sup>th</sup> June my committee also considered the Commission proposal for a Recommendation to Euro Area Member States. Our views on this initial proposal were sent to the Chair of the EFC immediately afterwards.

I hope these opinions provide a good contribution to the EPSCO Council policy debate on Europe 2020 in view of the June European Council.

Yours sincerely,



Tom Bevers

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## The Social Protection Committee

*The Chair*

Luxembourg, 16 June 2014

Minister Ioannis Vrotsis  
Minister for Employment, Social  
Protection and Welfare of Greece  
President of the EPSCO Council

**Reference: SPC country specific opinions on the proposal for Council country-specific recommendations 2014**

Dear Minister Vrotsis,

On behalf of the Social Protection Committee (SPC), I am forwarding you our country specific opinions on the proposal for Council recommendations based on articles 121(2) and 148(4) of the TFEU. Acting as a preparatory and advisory body to the EPSCO Council, the SPC examined all recommendations or parts thereof falling under the competence of Ministers in charge of social protection issues irrespective of the proposed legal basis.

Our opinions are only a recommendation to Ministers. I must emphasise the view of my Committee that only the Council takes the final decision on the basis of the legal text prepared by the Committee of Permanent Representatives. Under the leadership of the Presidency, we have reached joint positions with other Committees in most cases.

Allow me to brief you on some country-specific issues that occurred at the final stage of the SPC deliberations on 12.06.2014:

### **1. Recommendations in the area of pensions for CZ and PL**

We have assessed these recommendations in the light of the thematic assessment framework for structural fiscal reforms of the Commission services and presented to both the EPC and SPC.

Accordingly, fiscal sustainability can be assessed in the medium-term through fiscal gaps related to the excess of projected expenditure with respect to the primary balance needed to bring the debt-to-GDP ratio to 60% of GDP by 2030 (S1 indicator). This indicator, therefore, takes into account age-related spending trends over the medium term and beyond, influenced by, among others, country-specific demographic prospects and country-specific arrangements of the pension systems.

Long-term challenges can be assessed through fiscal gaps related to the excess of projected expenditure with respect to the primary balance needed to ensure that the debt-to-GDP ratio is not on an ever-increasing path (S2 indicator). This indicator, therefore, takes into account very long-term trends, which is highly relevant when analysing certain public spending programmes like pensions and health care.



Countries with high S1 or S2 values are classified to be at medium risk (S1 higher than 0 or S2 higher than 2) and high risk (S1 higher than 2.5 or S2 higher than 6). The thematic assessment framework is meant to provide guidance based on available indicators and should however therefore not be taken as incorporating all the country-specific considerations relevant for the final formulation of country-specific recommendations.

Based on available data from the Ageing report 2012, the values for CZ are 2.2 and 6.2 respectively for S1 and S2. For PL these indicators are 0.7 and 2.7, so that CZ can be seen at being at high risk whereas PL is to be flagged under medium risk. More specifically on pensions, the CZ pension expenditure will decrease from 9.1% to 8.6% in 2030 as share of GDP, to become 11.7% in 2060. For PL a steady decrease in expenditure is reported, from 11.8% actually to 9.8% by 2060. For CZ, retirement age is reported to increase over the age 65 by 2060 being fully in line with EU average. Also in the case of CZ the contribution of pension expenditure to S1 is not relevant, whereas it can be evaluated at 2.2 for the S2. In the case of PL pension expenditure negatively impacts S1 and S2.

In light of these figures, a need for a medium-term adaptation of the pension scheme cannot be identified for CZ, whereas long-term adjustments recommendation would be justified. For PL, nor medium term, nor long term adjustment recommendations are necessary on the basis of the assessment framework.

In the specific case of recommendation N3 to the CZ, the reference to '*accelerating the increase of the statutory retirement age*' clearly relates to the medium-term, whereas '*linking the statutory retirement more clearly to changes in life expectancy*' focuses on the long-term. Challenges for the CZ are identified in the long run. Also, combining both measures at the same time represents - to a certain extent - an inconsistency, as the first measure is a prescriptive request whereas the second one by using the wording '*more clearly*', points to a less prescriptive approach. Focus should therefore be on the long-term adjustments for CZ and only on the linkage to longevity, as amended in a number of pension recommendations addressed to other Member States. The SPC amendments made to recommendation N2 in the case of CZ should be retained, as requested by the CZ delegation.

In the case of PL, recommendation N3 contains a potential contradiction between the recommended measure '*include farmers in the general pension system*' that can be seen, as pointed out by PL, as a dismantling of a specific pension scheme in PL, and the right of Member States to define the fundamental principles of their social security system (article 153(4) of TFEU). A further fine-tuning is therefore required on this particular part of recommendation 2 to PL, as suggested by the PL delegation and agreed by the SPC.

According to our multilateral conclusions on the implementation of the 2013 recommendations, PL is taking preparatory measures to reform the farmers' social security scheme. There is a draft amendment of the Act on social security and of other acts pertaining to this issue which clearly need to be taken into account by the Council before it decides on this specific case for PL (see Council document 10288/14, p38). Also according to the same conclusions, for CZ an amendment to the pension act is in the CZ Parliament and a special Committee will assess the pace of the needed increase of the retirement age against the demographic developments and the situation in the labour market (p.14 of Council document 10288/14).

For all these reasons the SPC supported the proposals of CZ and PL for amendments in their pension recommendations.

## **2. Recommendations in the area of health for BG and MT**

The SPC reached joint positions on these recommendations with the Council Working Party on public health at Senior Level. In the case of BG, the text of recommendation N2 last sentence with particular reference to the deletion of the words '*optimising the hospital network*' is a joint position reached with colleagues from the Economic Policy Committee on 5.06.2014. My Committee sticks to this jointly agreed text, which was also forwarded to the EFC for their meeting on 12-13.06.2014. While I was present at the joint meeting with the EPC and intervened on this particular point, I have not received any formal letter from the EPC Secretariat informing Council delegations about errors in the transcript of the discussions and the decision taken in the case of Bulgaria at this meeting. As we are in a formal process, certain procedural acts would help enhancing the legal security of the adopted text by the Council.

In the case of MT, the SPC maintains its position that the word '*ongoing*' needs to replace the word '*comprehensive*' in the last sentence of recommendation N2. This has been jointly agreed with other Committees. The SPC multilateral conclusions in the case of MT show the extensive scope of the health care reform ongoing in MT (see p. 32 of Council document 10288/14). Changing the course of an ongoing reform discussed with relevant stakeholders will not facilitate its implementation. Finally, article 168(7) TFEU recognises that Member States are exclusively responsible for the definition of their health policy and for the organisation and delivery of health services and medical care.

## **3. Amendments to recital 10, social housing part for the NL**

Finally, at our last meeting we have also agreed with the NL to amend recital 10 only in its social housing part in order to more accurately take into account the efforts of the Dutch authorities in re-focussing their social housing sector on its core functions. These amendments eliminate some inconsistencies in the initial proposal and are fully supported by the SPC multilateral conclusions on the implementation of the 2013 Council recommendations (see p. 33 of Council document 10288/14).

I hope the above considerations will help the Council fully play its role of ultimate decision-maker when it comes to country-specific recommendations.

Yours sincerely,



Thomas Dominique, SPC Chair