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REPORT

from: Council (EPSCO)
to: General Affairs Council

Subject: European Semester 2014: Council Recommendations on the National Reform Programmes (2014) to each Member State, including Macro-economic Imbalance Procedure (MIP)

I. INTRODUCTION

On 2 June, the Commission presented the proposals for Country-Specific Recommendations (listed in document 10528/14) in the context of the 2014 European Semester process.

These recommendations were examined by the relevant committees (EMCO, SPC, EPC, EFC/EFCA), which also considered certain issues in a horizontal manner with the aim of ensuring the consistency of the Recommendations across the Member States.

On 18 June, Coreper (Part I) discussed the employment and social policy-related aspects of the Recommendations and agreed on some modifications regarding the text of the draft recommendations to Hungary, Ireland, Luxembourg and the Netherlands.

II. DISCUSSION OF MINISTERS (EPSCO)

At its session on 19 June, the Council (EPSCO) held a policy debate on the 2014 European Semester, with particular focus on the country-specific recommendations (CSRs) and on all other items related to the subject. Ministers recognised that, over the years, the European Semester process has improved through enhanced dialogue between the Commission and Member States. Better coordination between the relevant preparatory committees on cross-cutting issues has contributed to a better understanding of the comprehensive nature of the process. Special emphasis was put on the following aspects:

On the substance of the recommendations:

- The CSRs are a useful instrument in guiding policy responses to the main challenges faced by Member States on their labour markets and in their social protection systems. However, structural reforms and adjustments take time to produce tangible results, and it is clear they need to be implemented without detrimental effects on other goals, in particular maintaining social acceptability. Short and mid-term measures therefore need to come hand in hand with future longer term investments, particularly in fields such as education.
- The cooperation and consultation between employment and social policies area on the one hand and on economic policies on the other hand needs further amelioration. Its ultimate objective should be generating sustainable growth leading to job creation. Thus, providing a better basis for a fiscal consolidation process which is not at the expense of growth, employment and social protection. For this, policies stimulating the demand side need to be considered along policies focusing on the supply side. The improved economic developments should not lead to complacency and reform fatigue in a context of jobless growth and increasing poverty levels.

- In preparing the recommendations, due account should be given to the efforts already deployed at national level. Furthermore, recommendations need to concentrate on the desired outcomes while leaving discretionary scope for governments and social partners to negotiate the details of the reforms. In order to allow for further enhancing its dialogue with Member States, the Commission should engage earlier in the CSR preparation process, in particular by sharing its analytical underpinning.
- There are divergences of views between the Commission and most Member States with regard to the specific language approved by the committees to most of the CSRs on pensions. The Commission proposals focus on linking statutory retirement age to changes in life expectancy, whilst most Member States consider that there are alternative policy options equally effective to enhance pension sustainability. Priority should be given to increasing the effective retirement age and adapting pension systems to changing circumstances, such as by aligning retirement age or pension benefits to changes in life expectancy. More generally, it has been stressed that pension reforms need to include an effective mix of measures reinforcing the adequacy of the system and improving its sustainability. The adequate policy option depends greatly on the specificities of the national pension systems and the particular conditions in each Member State.
- Regarding the scoreboard of employment and social indicators, Ministers highlighted its relevance as a tool to monitor employment and social trends. They underlined that it should be fully integrated with its current set of indicators into the Semester and existing monitoring instruments such as the Employment Performance Monitor (EPM) and the Social Protection Performance Monitor (SPPM). It was stressed that it should not trigger automatic recommendations. Its current functioning needs to be well monitored and evaluated, and once it has been tested long enough, necessary improvements could be envisaged at a later stage.

- Ministers expressed a firm commitment and strong political will to tackling youth unemployment. Most referred to ongoing work regarding the implementation of the Youth Guarantee Implementation Plans (YGIP) and pointed to some first positive results. It was stressed that good cooperation and partnership between the different actors is of vital importance for an efficient roll out of youth guarantee programmes, and that a personalised approach and preventive measures are an essential part of them. A strong emphasis was put on the urgency to address the situation of NEETs and on the need for an efficient use of the available European funds.

On the process:

- While Ministers fully recognised that the preparation and organisation of the European Semester exercise has improved, they nevertheless reiterated that the available time between the submission of the CSRs and the examination at the Council level is largely insufficient. For the preparatory work in the committees there needs to be more time available for an in-depth examination and coordination at national level. This is an important prerequisite for a genuine and meaningful multilateral process. This crucial request is to be taken seriously in order to safeguard the credibility of the process and the commitments of Member States to reforms via increased ownership. Therefore, extended timeframes for the Member States' national preparation of the Commission draft CSRs and for the work of the Council preparatory bodies must be part of the planning in the next Semester process.
- Moreover, the evaluation and review of the European Semester process needs to be placed in the context of the Europe 2020 mid-term review.

On specific CSRs:

CZ indicated that it could not accept the language expressed in its CSR3 on pensions, where it is called upon to accelerate the increase of the statutory retirement age. HU stated that it was not in a position to accept the current wording of its CSR4, since it was not in line with the declared social policy objectives of the government. RO signalled its disagreement with the outcome regarding its CSR5 on education. PL declared that it could not accept the current language in its CSR3, which refers to removing the pension scheme for farmers.

HR and RO stated that they maintained their positions on CSRs 2 and 7 respectively, which ECOFIN Council configuration is competent for.

BG (while a new wording was agreed upon regarding its CSR2), CZ, HU, PL, RO and the UK submitted statements to be entered into the Council minutes.
