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**COVER NOTE**

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from: The Employment and Social Protection Committees  
to: Permanent Representatives Committee (Part I) / Council EPSCO  
Subject: Europe 2020 Strategy: Mid-term review, including the evaluation of the  
European Semester  
(a) Joint Opinion of the Employment Committee and of the Social  
Protection Committee  
- Endorsement

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Delegations will find attached a joint opinion by the Employment and the Social Protection  
Committees, presented with a view to the session of the Council (EPSCO) on 16 October 2014.



## The Social Protection Committee

## The Employment Committee

### Joint EMCO-SPC opinion on the mid-term review of the Europe 2020

#### Strategy

1. The Employment and Social Protection Committees (herewith EMCO and the SPC), the two Treaty based EPSCO preparatory committees under the European Semester, having carried out detailed discussions on the mid-term review of Europe 2020, have identified a series of proposals which based on experience they believe should guide the mid-term review of the Strategy.
2. Europe 2020, the EU's long-term strategy for growth and jobs, was launched in 2010 to tackle Europe's economic, social and environmental weaknesses. The strategy developed as a partnership between the EU and its Member States, centred on a set of focused priorities of smart, sustainable and inclusive growth. It set out headline targets in five policy areas, including those on employment, education, and the fight against poverty and social exclusion. The targets were accompanied by seven Commission flagship initiatives, intended to catalyse EU level progress.
3. Europe 2020 began against the background of a rapidly deteriorating economic and social environment, brought about by the worst global financial crisis the EU has faced. More than 6 million people lost their job during the crisis. The consequent increase in poverty, social exclusion and unemployment, with growing inequalities and divergences within and between countries, are without doubt Europe's main social challenges and must be at the forefront of any revision of the Strategy. Furthermore, the demographic, technological and climate changes, the longer-term challenges the Strategy aims to address have now become more acute than ever.

4. Europe 2020 drew the lessons from the Lisbon strategy, but introduced important changes to the EU's economic governance. In particular the strategy brought the European Employment Strategy (EES), set out by Article 148 of the Treaty, more closely together with the economic side, endeavouring to create a balanced governance structure for growth and jobs on the basis of a small set of integrated guidelines bringing together the employment and the broad economic policy guidelines. Since their adoption these guidelines have remained stable within a climate of fundamental economic and social change.
  
5. Since the inception of Europe 2020, EU economic governance has continued to be characterised by important changes, in particular through the integration of various components of economic and budgetary surveillance under the European Semester. Conceived as a way to reinforce the EU's economic governance, the European Semester has been rapidly established as the annual policy cycle of economic guidance and monitoring, with the Europe 2020 Strategy implemented and monitored through the Semester. In 2011, a legislative package, known as the "six-pack", introduced a new Macroeconomic Imbalance Procedure (MIP) aimed at preventing and correcting economic imbalances. The Stability and Growth Pact (SGP) was also reinforced. A following set of regulations, the so called "two-pack", provided inter alia for Commission scrutiny of draft budgetary plans of Euro area Member States. Finally, in March 2014, a new scoreboard of key employment and social indicators was approved by the Council and integrated in the Joint Employment Report. All these instruments were embedded in the European Semester process.
  
6. Throughout the crisis years, the Union has seen a groundswell of reform in the employment and social domains. However, the primary focus of economic policies was to address indebtedness. Budgetary consolidation and macroeconomic adjustments need to be coherent with social goals and take into account the social implications of policy choices and their distributional impact across income groups, generations and time as well as their impact on growth, social cohesion and job creation, while contributing to all strands of the Europe 2020 strategy. Such awareness of the social and employment implications of policies should be informed by appropriate tools such as social impact assessments.

7. Now that the Union is entering the recovery stage, Member States should focus on policies to foster growth, facilitate the creation of more and better jobs and strengthen the fight against poverty and social exclusion. Social investment, as a growth-enhancing factor, should be supported across policies through investing in human capital development, activating labour market participation, and improving the capacity of social inclusion and social protection systems to provide an effective protection against the risks people face across the life cycle.

## **Section 1: The Strategic direction of Europe 2020:**

### **A balanced investment agenda for growth, jobs and social inclusion**

8. SPC and EMCO reaffirm the relevance of the three mutually reinforcing priorities of the Europe 2020 Strategy, and in the current context stress particularly the importance of the inclusive growth dimension with national ownership being key to delivering the Europe 2020 priorities. The Strategy needs to support the Member States in their efforts to strengthen social investment across policies. Progress towards our commonly agreed social and employment objectives is necessary to achieve a fairer and more socially cohesive Europe, as well as growth and competitiveness.
9. The focus should not be on a reorientation of the Strategy's goals but on the implementation of reforms necessary to take Europe forward. Europe 2020 and the European Semester have shown their value and acted as a substantial catalyst for reforms in the labour market and in social protection. Focus should be on the implementation of agreed reforms - some of which take time to show results - and on pressure for continued reform where an implementation gap remains.
10. No new targets, processes or tools are required to deliver the Europe 2020 objectives more effectively. On the contrary, a stronger and more effective use of existing processes should be promoted. The integrated nature of Europe 2020, bringing together the separate economic and social and employment strands, was important progress and should be further strengthened.

11. In line with the letter of the Ministers responsible for gender equality and the June 2014 Council conclusions, gender equality deserves more prominence in a revised Europe 2020. Moreover, synergies with other strategies, i.a. in the fields of health and safety at work and education and training have to be reinforced.
12. Europe 2020 should remain fully inclusive to all Member States. The EES, with country-specific recommendations based on Article 148, has demonstrated its ability to cope with policy guidance in a context where no one size fits all. Furthermore, Europe 2020 should continue to fully respect the role of national parliaments and social partners. Ensuring that the necessary structural reforms are implemented to address employment and social challenges is a matter of utmost interest to the EU and the Member States.

### **The Headline Targets**

13. The headline targets on employment, education and social inclusion set out by Europe 2020 provide valuable policy and political focus. Such ambition should remain at the heart of any revision, with renewed policy efforts at all levels to achieve them. Despite the impact of the crisis and recognising the lack of progress, any downward revision of the EU level targets would send out an unfortunate message of reduced ambition. Equally any upward revision is unrealistic in this climate and thus on balance they should remain unchanged. However, given the divergent evolution with respect to Member States' progress towards national targets, Member States should be free to adjust them in order to maintain the necessary momentum, for example by setting intermediary targets.

14. The social inclusion target in particular was a considerable step forward in recognising the central importance within Europe 2020 of the EU's social objectives. As the definition of the target does not cover the full spectrum of policies having an impact on inclusive growth, the monitoring of progress towards the target should include a detailed analysis of the underlying trends over the short and medium term, including the pre and post crisis situation. Other factors, such as access to services and adequate benefits, are of equal importance and their assessment and appreciation against Member States' efforts should be further elaborated. The target's multidimensional nature requires a broad set of policies, including policies which tackle the most persistent and severe forms of poverty and social exclusion and the implementation of a combination of both universal and targeted approaches, recognizing the essential role of the provision of services and adequate benefits. In this respect, Member States are committed to ensure an adequate level of social protection and to continue pursuing their efforts for improving the efficiency and effectiveness of social policies, in particular by identifying specific challenges for policies with a focus on the most vulnerable groups.

### **The Flagship initiatives**

15. Although many of the initiatives embedded in them have proven their worth, the Flagships related to employment as such have showed little value added.
16. The Annual Convention is recognized as one of the more visible outcomes of the European Platform Against Poverty and Social Exclusion. However, the current format has had limited impact on the policy and decision-making processes and substantial effort could be made to increase its contribution to enhancing the ownership and visibility of the EU strategy, particularly at national level.

## **Section 2: The delivery mechanism: the role of EPSCO and ECOFIN in the European Semester**

17. The European Semester has proven to be a valuable instrument for engaging Member States in the coordination of key structural reforms and an effective tool to implement the Europe 2020 Strategy. However, the Semester needs to work in a more balanced way to steer progress towards all the objectives and targets of the Europe 2020 Strategy and take due account of the employment and social impact of reforms.
18. Given the overarching objectives of Europe 2020, the EPSCO and ECOFIN Council formations must have primary responsibility for its implementation on the basis of an equitable partnership. Although progress has been made over the last years, this should be further facilitated through increased cooperation by the relevant committees and requires recognition of the central role played by both EMCO and SPC under the Semester. Building on the experience of recent years, EMCO and SPC shall continue to promote this cooperation between the Committees serving both Council formations, which should be optimised in particular in the pension, health and long-term care domain.
19. It has to be ensured that both ECOFIN and EPSCO formations debate all issues relevant to their area of competence, both in terms of policy formulation and implementation, in a comprehensive and complementary manner., without them interfering in each other's domain solely on procedural grounds. This is particularly pertinent for discussions within the scope of the Macro-economic Imbalances Procedure (MIP) and on issues raised through the "six-pack" legislation.
20. Cooperation and coordination between Council formations and their preparatory committees can be substantially aided by ensuring national level coordination to guarantee a consistent position. Cooperation within the Commission is equally necessary.

21. Whilst ECOFIN and EPSCO should remain the key partners for delivering on Europe 2020, there exists considerable potential to improve networks with a wide range of other important actors. With this in mind EMCO and the SPC will:

- Enhance their collaboration on common topics.
- Continue and deepen the cooperation with Social Partners along the lines of EMCO's agreed working methods approved by EPSCO.
- EMCO will cooperate with the Education parts of Council and explore ways of improving and better structuring this relationship, with emphasis on building a basis for evidence based debate on human capital issues.
- EMCO will call upon the expertise of the HoPES network under its multilateral surveillance work.
- SPC will continue to enhance its cooperation with the Working Party on Public Health at Senior Level on relevant issues.
- SPC will pursue its efforts to involve all stakeholders, as appropriate.

### **Section 3: The instruments: the Country-Specific Recommendations (CSRs), Staff Working Documents (SWDs), Multilateral Surveillance and Peer Pressure**

22. The key for a successful acceptance of the priorities in the CSRs and for their implementation is through national ownership. In order to enhance this ownership, the analysis serving as basis for the CSRs must be consistent and shared with Member States as early as possible. The Commission's SWDs should be published in advance of the recommendations giving Member States the opportunity to discuss the SWDs bilaterally and within Committees. Moreover, where relevant, the Commission should consider synchronizing the SWDs and the in-depth reviews and ensuring their coherence.



23. EPSCO should lead on all issues raised by the CSRs, including the Euro area Council Recommendations, which fall under its responsibility and competence for policy formulation and implementation.
24. The CSRs themselves should remain annual in order to maintain the peer pressure for implementation. However, they should be focused on priorities, based on empirical evidence and a broad assessment of existing monitoring instruments, and not overly prescriptive in nature, giving Member States more room to tailor policy responses according to national circumstance. Given the need to design and implement long-term structural reforms, and for their first results to materialise, adequate time should be allotted to monitor and report progress achieved.
25. There should be stronger dialogue in the preparation stage of the Annual Growth Survey, based on the analytical instruments (the scoreboard of key employment and social indicators, the Employment Performance Monitor (EPM), the Social Protection Performance Monitor (SPPM) and the Joint Assessment Framework (JAF)) and a joint identification of priorities. The Commission and Member States should discuss together future priorities.
26. A correct functioning of the Semester requires adequate and timely information. However, a multiplication of reporting obligations should be avoided. Although its timing could be reconsidered, the National Reform Programme (NRP) should remain as the main reporting instrument under the Semester for all relevant policy domains and, if appropriate, should be complemented with reporting of social inclusion and social protection policies.
27. The key for a successful acceptance of the priorities set out in the CSRs is national ownership. The current timing between publication of the draft CSRs and their final adoption does not allow for a sufficiently deep multilateral discussion in and between Committees. Moreover, the Semester should provide enough room for an adequate involvement of national parliaments or consultation with social partners and other actors.

28. Multilateral surveillance of employment and social reforms should be further strengthened and streamlined. A shared commitment for a continuous and comprehensive surveillance among all preparatory committees under Europe 2020 is necessary. Country surveillance on the implementation of Council recommendations involves two scenarios. Either the Member State has already put in place a reform, in which case the reporting would focus on the sufficiency of implemented measures, or the Member States is in a preparatory process and thus the committees could proceed to “ex-ante” discussion on future plans. The respective peer review programmes can be adapted to address the issues raised through the CSR process and to further increase the knowledge base of the committees.

#### **Section 4: Better use of the tools at EPSCO's disposal.**

##### **Article 148 and the European Employment Strategy**

29. Based on Article 148 of the Treaty, the policy orientation and methods of the European Employment Strategy (EES) has played a proven role in the EU. The EES was created to support reforms to help people and labour markets to be responsive to economic change. It now has 15 years of experience in the coordination of employment policies across the EU, four years of this within the integrated nature of Europe 2020. It provides a strong framework, and further potential 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 progress on the implementation of recommendations, increased peer pressure, and multilateral analysis of thematic priorities.

30. Article 148 of the Treaty should therefore be used to its full potential in order to better balance existing governance arrangements within the European Semester. The enhanced governance arrangements to make multilateral surveillance deliver should include:
- Strategic employment guidelines: The Guidelines have not been used as effectively as they should. There is considerable potential to build on the Guidelines to confirm their strategic role and to ensure that the Guidelines address all issues related to Employment and establish clearly the scope for issuing policy recommendations, as dictated by the Article 148 of the Treaty. They could be complemented with more short term or operational policy guidance where needed, within the framework of the EES.
  - Stronger and more efficient multilateral surveillance on the basis of grounded analysis, peer pressure, and exchange of relevant best practices as the main instruments to foster reform.
  - A clear role for the Joint Employment Report as a self-standing and visible instrument, taking stock of ongoing reforms and providing guidance for all policies within the scope of art. 148.

### **The Social Open Method of Coordination (OMC)**

31. An improved social governance and better coordination of economic and social policies, while fully respecting Members States' competences and the principle of subsidiarity, would represent an important contribution towards achieving the objectives of the Europe 2020 strategy in accordance with the Treaty objectives on social cohesion and adequate social protection (ref. Articles 3.3 TEU, 5.3 TFEU, 9 TFEU, 151 TFEU and 156 TFEU). This implies an integrated and coherent approach across all relevant policy areas and a close cooperation between the EU, all levels of government, also considering social partners and civil society where appropriate.

32. While maintaining the synergy with the Integrated Guidelines, and Article 148, the Social OMC should continue to cover all areas of social protection and social inclusion, including pensions, long-term care and health. The social OMC has proven its efficiency and can serve as a genuine improvement in the social governance model without the need for the establishment of new or additional mechanisms. It has in place a range of well-established tools related to social monitoring, multilateral surveillance, thematic policy discussion, ex-ante discussion, and working methods to enable this and further improvement can deliver a genuine enhancement in social governance.
33. Recognizing the value added of the input of the SPC in the field of social inclusion and social protection as the only Council preparatory committee competent in this area, its working methods for active contribution to the 2020 Strategy could be formalized with the aim of improving transparency as well as governance and in full respect of Treaty provisions under Articles 121 and 148. Consistent with Article 156 TFEU, the relevant elements of the OMC should be recognized as adequate instruments for the European Semester process, thus giving the appropriate weight to the EPSCO Council in matters related to social protection policies.

### **The two EPSCO committees**

34. Both EMCO and SPC have an essential role to play to support the EPSCO Council throughout all stages of the European Semester. Within their respective areas of competence, they shall continue to take the responsibility for all instruments at EPSCO's disposal. In order to effectively deliver on their Treaty mandate and to improve cooperation between them, both Committees will reflect on a revision of their rules of procedure and governance arrangements.
35. As underlined in the joint opinion of the two committees endorsed by EPSCO in June 2014, the adoption of the scoreboard of key employment and social indicators is an important step forward in terms of granting higher political visibility for employment and social challenges. It is a tool within the European Semester and the Committees should regularly review the scoreboard as an integral part of the existing monitoring instruments.

36. The Committees' performance monitor tools (EPM and SPPM) provide the ability to identify main common employment and social trends and have reinforced the multilateral surveillance capacity of ESPCO committees, thus supporting EPSCO to bring the relevant employment and social issues to the attention of the European Council.
37. EPSCO Council committees can be strengthened through the development of a stronger common evidence base. Therefore, SPC and EMCO should explore ways of bringing the SPPM and the EPM closer together, taking good practice from both, also continuing the monitoring of the financing, effectiveness and efficiency of social protection systems.
38. While it needs to be recognized that a lot has been done in the past years, specific challenges remain related to the timeliness and the availability of data in order to allow for an enhanced capacity to assess employment and social impacts. Moreover, monitoring and quantitative assessment of employment and social policies, on the basis of the EU indicators, should remain a core competence of EPSCO and consequently of the EMCO and the SPC and their Indicators' Group.
39. Further work on improving the EU social and employment indicators should be pursued in the context of more accurate monitoring, including on the overall effects of economic and budgetary policies on employment, social protection and social inclusion systems. This analysis should give guidance on the policy areas where action needs to be taken by Member States and at the European level as a matter of priority.