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**NOTE**

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from: Presidency  
to: Permanent Representatives Committee (Part I) / Council (EPSCO)  
Subject: Europe 2020 Strategy: Mid-term review, including the evaluation of the  
European Semester  
- Policy debate

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Delegations will find attached a note from the Presidency outlining the context for the policy debate and providing guidance with a set of questions for discussion by Ministers at the EPSCO Council on 16 October 2014.

## **Presidency paper**

### **EPSCO debate on the review of Europe 2020 Strategy and the European Semester**

**Luxemburg, 16 October 2014**

#### **1. THE OVERALL ASSESSMENT OF THE EUROPE 2020 STRATEGY**

The Europe 2020 strategy, launched in 2010, is a front runner in advocating a growth model going beyond simply the increasing of GDP. The overall objective was to emerge stronger from the crisis and turn the EU into a smart, sustainable and inclusive economy, delivering high levels of employment, productivity and social cohesion.

In March 2014, the Commission adopted a Communication entitled "Taking stock of the Europe 2020 strategy for smart, sustainable and inclusive growth" drawing preliminary lessons from the first years of implementation of the strategy.

Progress towards the targets of the Europe 2020 strategy has been mixed. The EU is on course to meet, or at least partially, its targets on education, climate and energy but not those on employment, research and development, and poverty reduction. The crisis hampered the convergence process seen in the previous decade, namely since the introduction of the euro. It has also highlighted growing inequalities in the distribution of wealth and income. These are challenges to be addressed in the review and subsequent revision of the Strategy.

The targets are useful in their role as policy hooks. With the support of Committees, Member States translated EU targets into national targets. Some Member States have been more ambitious than others and have chosen to set national targets broken down by gender (in this regard 22 Member States, supported by the Italian Presidency and the Trio, have co-signed a letter to state that the gender equality has to be better reflected in a revised Europe 2020 Strategy). Targets are essential for the monitoring and discussion of progress at EU level. They have already been instrumental in the analysis underpinning country-specific recommendations and in the discussion on priorities for the programming of the European Structural and Investment Funds over 2014-2020.

While the current targets remain relevant, a qualitative assessment of the targets might be necessary. Complementary indicators, more specific analysis and qualitative information are therefore important to interpret the targets and the actual situation in Member States.

The guidance has evolved in light of the deepening of the crisis in 2011 and the persistently deteriorating employment and social situation has led to the Commission presenting updated employment and social policy agendas<sup>1</sup>. Those new approaches were subsequently reflected in the upcoming Annual Growth Surveys (AGS) and country-specific recommendations. The further strengthening of the economic governance and deepening of the EMU has also provided the need for reinforced coordination of policies in employment and social areas at European level.

In addition, important discussions have taken place during the Greek Presidency. We have first informally discussed the role of national minimum income schemes and their proven track record to reduce poverty. In June 2014, the EPSCO Ministers held a political debate on the social dimension of the Europe 2020 Strategy. At the informal meeting in Milan, EPSCO Ministers had in-depth discussions on the poverty target, on the Green Employment Initiative, as well as a first reflection on automatic stabilisers.

### **Question 1:**

**Do Ministers think that the Europe 2020 strategy has made a difference and has been implemented effectively at EU, national and local levels? What were the main hurdles? How can we improve the effectiveness of policy measures to achieve the 2020 targets?**

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<sup>1</sup> The White Paper on pensions (adopted in February 2012) developed comprehensive strategies to adapt pension systems to changing economic and demographic circumstances. The Employment Package (adopted in April 2012) proposed – amongst other elements – an agenda for reforms that looks at both the demand and supply sides of the labour market). The Youth Employment Package (adopted in December 2012) focused on improving young people’s school-to-work-transitions by proposing a Youth Guarantee, as well as supportive initiatives on apprenticeships, traineeships and mobility. The Social Investment Package (adopted in March 2013) proposed a new approach for social policy reforms.

**Question 2:**

**Do Ministers think that the three Europe 2020 Flagships Initiatives - 'Youth on the move', 'Agenda for New Skills and Jobs' and the 'European Platform against Poverty' – have served their purpose? What are the priorities for the next 5 years with a view to reaching the Europe 2020 targets?**

**2. THE GOVERNANCE OF EUROPE 2020 THROUGH THE EUROPEAN SEMESTER**

Europe 2020 and the European Semester process have placed employment and social targets at the core of EU activities. Overall, employment policy and social policy coordination has been strengthened by the adoption of three tools: the Europe 2020 Strategy in 2010; the European Semester for policy coordination, in 2011; and with the new scoreboard of key employment and social indicators, in 2014.

The Strategy's goal is to ensure smart, sustainable and inclusive growth for the next decade and to address shortcomings of Europe's growth model as well as major long-term challenges such as pressure on natural resources and climate change, demographic and technological changes, and globalisation. The Strategy is based on headline targets and policy guidance for employment, education and social policies at EU level that are reflected in the Employment Guidelines.

The European Semester for economic policy coordination represented a first decisive step in addressing structural weaknesses in European economic governance. The crisis has notably highlighted the importance of effective labour markets and welfare systems, as well as their interaction in strengthening socio-economic policies.

European economic and budgetary governance, aimed at coordinating and monitoring EU fiscal and economic policy, including employment and social policies, has been further strengthened with the six-pack legislation<sup>2</sup>, which notably introduced a Macroeconomic Imbalance Procedure (MIP) to prevent and correct economic imbalances<sup>3</sup> and introduced the two-pack.

In October 2013, the Commission presented proposals for strengthening the social dimension of the EMU. To ensure more integration of employment and social policies in economic governance, the Commission has proposed a new early-warning tool: the Scoreboard of key employment and social indicators. The Scoreboard has been integrated into the JER (Joint Employment Report). The JER identifies major employment and social challenges based on detailed interpretations supported by the EPM (Employment Performance Monitor), SPPM (Social Protection Performance Monitor) and the JAF (Joint Assessment Framework). Moreover, in order to better reflect the social implications of macroeconomic imbalances, a limited number of auxiliary employment and social indicators have been taken into consideration in the Alert Mechanism Report in the context of the Macroeconomic Imbalance Procedure.

The Commission also underlined the need for better coordination of policies in employment and social areas, stressing the importance of introducing benchmarks and new solidarity mechanisms, and also underlined the need for better involvement of the social partners both at the EU and national levels.

The adoption of the scoreboard of key employment and social indicators is an important step forward to provide an early alert on employment and social challenges and should be regularly reviewed as part of the existing monitoring instruments.

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<sup>2</sup> The Employment Guidelines and the Broad Economic Policy Guidelines (forming together the Integrated Guidelines) are legal instruments provided by the Treaty, and have been referred to in the Regulation 1175/2011 which sets out the European Semester for economic policy coordination.

<sup>3</sup> OJ L306, 23 November 2011.

The governance of the employment and social policies has been considerably strengthened in recent years, notably through the reinforced role of the Employment and Social Protection Committees. EMCO and SPC have successfully monitored employment and social key challenges as well as the implementation of country-specific recommendations. One of the key elements in the multilateral surveillance are the thematic reviews, assessing the implementation of reforms over the year, but also examining policy announcement of major reforms before implementation.

- Envisaged review of the six pack and relations with review of Europe 2020

The economic governance of the EU, implemented annually through the European Semester, provides the framework for policy implementation and integrated surveillance. The European Semester, which notably includes the surveillance and examination of the implementation of the broad economic policy guidelines and of the employment guidelines, is a powerful instrument for pursuing the post-crisis priorities that will be needed to meet the objectives of the Europe 2020 strategy.

The application of the six-pack<sup>4</sup>, notably the provisions governing decision-making and “the progress in ensuring closer coordination of economic policies and sustained convergence of economic performances of the Member States”, and the two-pack will soon be reviewed.

This review, in conjunction with the review of the Europe 2020 strategy, should be an opportunity to address how best to integrate our tools and coordinate our EU policies to ensure proper integration of the single market and improve the overall governance agenda.

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<sup>4</sup> Regulation 1176/2011 on the prevention and correction of macroeconomic imbalances – Art. 16 –revision clause with a report to be presented by 14 December 2014 (OJ L306, 23 November 2011)

The Semester needs to work in a more balanced way to steer progress towards the objectives and targets of the Europe 2020 Strategy; EPSCO and ECOFIN Council formations should cooperate more closely both in terms of policy formulation and implementation but also through a stronger coordination and cooperation of the Working Parties concerned: EMCO, SPC, EPC and EFC. A similar approach is being explored with regards to the Competitiveness Council and its closer collaboration with other Council formations in monitoring competitiveness.

In this framework, Article 148 of the Treaty (TFEU) should be used to its full potential in order to better balance existing governance arrangements within the European Semester.

While recognizing an improved dialogue with the Commission, EPSCO Ministers have repeatedly stressed the need for an increased ownership by Member States and a renewed timetable enabling a proper involvement of national stakeholders in the European Semester exercise.

In this regard, the respective role of EMCO and SPC are crucial to ensure a better understanding and a more consistent assessment of major policy reforms in employment and social areas. One possible way to clarify their role is through the adoption of Statutes.

**Question 3:**

**How can we better integrate the (revised) Strategy within the European Semester, ensuring it is taken into proper consideration with respect to other objectives pursued within the process? What should be the role of a revised Strategy within the overall economic and social governance implied by the European Semester?**

**Question 4:**

**Is there a need for simplification/streamlining of the process/methods and how? How could the strategy best be linked to other policies/processes in the area under EPSCO competence?**