



Council of the
European Union

Brussels, 1 December 2014

15954/14

EMPL 174
SOC 817
ECOFIN 1083
EDUC 334

NOTE

from: The Presidency
To : Permanent Representatives Committee (Part I) / Council (EPSCO)
Subject: Annual Growth Survey 2015 (AGS), draft Joint Employment Report (JER) and
Alert Mechanism Report (AMR)
- Exchange of views

Delegations will find attached a Presidency note on the above package for the 2015 European Semester with a view to the exchange of views at the EPSCO Council on 11 December 2014.

The launch of the 2015 European Semester

Presidency note

Despite some positive trends, the economic recovery remains weaker than expected. It remains too fragile and uneven to translate into employment and social improvements. A number of long-term developments are affecting growth and job creation. Unemployment is expected to remain unacceptably high in large parts of the EU and social hardship is set to persist.

The wider economic framework, with a low inflation trend, weak investment and the risk of persistent low growth, does not give rise to encouraging prospects in the EU's employment and social sphere. Without a substantial economic and fiscal reorientation, it is unlikely that this situation changes in the short to medium term. This may cause long-lasting political consequences for the EU project and undermine citizens' trust in it.

Against this background, the economic Package presented by the Commission outlines the main features of the new jobs and growth agenda. The 2015 Semester process coincides with the mid-term review of the Europe 2020 Strategy, which will be adopted on the basis of the outcome of the public consultation and the summary of the debates promoted in the Council under the Italian Presidency. An effective governance coordination in the annual cycle is key to the achievement of the long-term targets defined in the Strategy.

The Commission's 2015 Annual Growth Survey (AGS) recommends three main pillars for the EU's economic and social policy:

- a coordinated boost for investment,
- a renewed commitment to structural reforms and
- pursuing fiscal responsibility.

It calls for an integrated approach with simultaneous action in all three areas. It proposes a new Investment Plan for Europe, based on the creation of a new European Fund for Strategic Investments, structural reforms in the Member States and the establishment of a project pipeline coupled with an assistance programme. It also includes a roadmap to make the EU more attractive for investment and to remove regulatory bottlenecks.

The draft Joint Employment Report (JER) underlines that the employment and social situation is a continued cause for concern. The Scoreboard of employment and social indicators, which is included in the JER, indicates that socio-economic divergences persist. Unemployment is becoming structural even in well-performing economies. The Scoreboard proves to be an essential element that should be reinforced and operationalized so that appropriate action can be taken in order to preserve social stability and cohesion in Member States.

The AMR points out that economic growth is insufficient to lead to a marked improvement in labour and social data. It highlights that negative employment and social developments can have a downward effect on potential GDP growth and risk compounding macroeconomic imbalances.

More specifically, as regards the European Semester, the Commission proposes in the 2015 AGS a streamlining of the economic governance system to make it more effective. This responds, among other aspects, to the increasingly complex nature of the process. Moreover, from the experience of the past four years, Member States - *in primis* within the EPSCO Council - requested to revise certain aspects of the process to improve its effectiveness and ensure better results. The streamlining also aims to support the three pillars set out in the 2015 AGS.

In particular, the modifications have the objective to increase the ownership of all relevant actors and stakeholders, so that this can result in an increased level of implementation of the policy advice reflected in the Country-Specific Recommendations (CSRs). They also aim to increase transparency and comparability. This is done via a modification of some of the products and the timelines.

The main modifications/simplifications proposed to the Semester process are the following:

- (i) March: submission of one single assessment per Member State, combining the current Staff Working Documents and the In-Depth Reviews; this Commission analysis is to be the basis for the draft CSRs.
- (ii) March-June: more in-depth multilateral thematic discussions in the Council, based on the Commission's analysis and the support of the relevant committees, including EMCO and SPC.
- (iii) March-April: refocused National Reform Programmes (NRPs), involving in their formulation national parliaments and Social Partners, to provide more targeted national input into the Commission's analysis.
- (iv) all year around: wider dialogue with relevant actors and stakeholders, particularly the European Parliament and Social Partners, facilitated by the revised timetable. Particular examples are the possibility that the Commission engages with the EP and Social Partners before the AGS presentation, or to discuss with them emerging horizontal aspects.

The AGS further indicates that other proposals on the Semester governance will be elaborated as part of the work on the deepening of economic governance. Also, the importance of this discussion on the Semester is to be seen in the light of the mid-term review of the Europe 2020 Strategy.

On this basis, Ministers are invited to address the following issues:

- (1) Notwithstanding the efforts made by Member States in the past years, structural reforms remain a priority and are indicated as the second pillar of the EU's economic and social agenda in the AGS. How do you envisage concrete synergies between the coordinated boost to investment, including the Investment Plan for Europe as set out in the first pillar, and structural reforms to be implemented in our countries to address the challenges of labour markets, pensions and social protection systems?
- (2) Does the proposed streamlining of the European Semester process provide added value, allowing for a better focus on the Europe 2020 targets in achieving better results in particular regarding employment and social inclusion?
- (3) Would this streamlined Semester process respond to the concerns so far expressed by Member States? Should the modifications already be implemented for the 2015 Semester, or is more time needed to adapt to them also in the light of the Europe 2020 mid-term review and the work on better economic governance?