



**COUNCIL OF  
THE EUROPEAN UNION**

**Brussels, 3 December 2013**

**16843/13**

**SOC 983  
EMPL 21  
ECOFIN 1071  
EDUC 449**

**NOTE**

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from:	The Presidency
to:	Permanent Representatives Committee (Part I) / Council (EPSCO)
Subject:	Annual Growth Survey 2014 (AGS), draft Joint Employment Report (JER) and Alert Mechanism Report (AMR) - <i>Exchange of views</i>

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Delegations will find attached a Presidency note on the above 2014 Autumn package with a view to the exchange at the EPSCO Council on 9 December 2013.

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**Annual Growth Survey 2014 (AGS),  
draft Joint Employment Report (JER) and Alert Mechanism Report (AMR)**

*Presidency steering note*

The Autumn Package containing among others the Annual Growth Survey 2014 (AGS), draft Joint Employment Report (JER) and Alert Mechanism Report (AMR) marks the start of the 2014 European Semester. This is the first time that the new rules on the coordination of budgetary policies in the Euro area are fully applicable. 2014 will also be the first year where the new Multi-annual Financial Framework (MFF 2014 -2020) will provide the basis for better focusing funding on the priority areas outlined in the Europe 2020 Strategy.

With the key general economic priorities remaining the same as in the previous years, the main **AGS** message to the Member States is that they should keep the pace of reform in order to improve competitiveness and secure a long-lasting recovery. Despite the first signs of a turning point in the crisis, the economic recovery remains fragile and uneven with continuing high levels of unemployment in many Member States.

In view of the forthcoming European Council's discussions on the strengthening of EU economic governance and decisions to be taken on the deepening of the Economic and Monetary union (EMU), the AGS set out five priorities for 2014. It also outlines a number of areas where further improvements are needed for deepening the European Semester. In order for the EU's new economic governance to deliver its full potential, greater ownership at national level is needed, as well as stronger coordination among the members of the Euro area and better implementation of the country specific recommendations.

The draft **JER** provides for detailed analysis on the employment and the social trends and challenges in the EU. The Report shows that, if the overall unemployment rate stopped rising at mid-2013, long-term unemployment is still growing, youth unemployment remains at very high levels and the proportion of young people not in employment, education or training (NEET) has continued to increase. The Report also highlight that segmentation of the labour market continues to considerable, that wage moderation did not feed completely into price developments, that the crisis has altered the dynamics of inequality, and that the at-risk poverty and social exclusion rate increased significantly.

The draft JER, in line with the October **European Council** Conclusions, for the first time contains a scoreboard of key employment and social indicators (Chapter 3). This scoreboard, which is generally considered as a useful tool, consists of five headline indicators <sup>1</sup>. It identifies major employment and social trends that may affect the good functioning of the EMU and may warrant a closer follow-up in the European Semester. Further fine-tuning of the scoreboard might also be made at a later stage.

The **AMR**, starting the annual cycle of the Macro-economic Imbalance Procedure (MIP), based on a scoreboard of indicators and a set of auxiliary indicators (including social auxiliary indicators), identifies the Member States which may be affected by imbalances.

The Commission analysis on the implementation of the annual country-specific recommendations indicates that positive results have been achieved so far. Hence, there are views that new policy priorities could be taken into account in the near future and that there would be a need for more integrated economic and social reforms.

The Employment and Social Protection Committees' reports (as set out in the addenda to this note) provide a useful contribution in assessing the 2014 Autumn Package.

***Against this background, Ministers are invited to address the following issues:***

1. *How can improved economic governance further contribute to a solid framework for reforms geared at creating employment and growth while addressing the social situation and securing a long lasting recovery?*
2. *How should the employment and social scoreboard be best used to contribute to an enhanced and more visible monitoring of employment and social policies in response to emerging structural and cyclical challenges ?*

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<sup>1</sup> Unemployment rate (15 - 74 age group); the NEET rate in conjunction with the youth unemployment rate (15 - 24 age group); real gross household disposable income; at-risk-of-poverty rate (15-64 age group) and income inequalities (S80/S20 ratio).