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REPORT

From: Council (EPSCO)
To: General Affairs Council

Subject: European Semester 2015: Council Recommendations on the National Reform Programmes (2015) to each Member State, including Macro-economic Imbalance Procedure (MIP)

I. INTRODUCTION

On 13 May, the Commission presented the proposals for Country-Specific Recommendations (listed in document 9224/15) in the context of the 2015 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 17 June, Coreper (Part I) discussed the employment and social policy-related aspects of the Recommendations and agreed on a modification regarding the text of the draft recommendations to Estonia.

II. DISCUSSION OF MINISTERS (EPSCO)

At its session on 18 June, the Council (EPSCO) held a policy debate on the 2015 European Semester, with particular focus on the country-specific recommendations (CSRs) and on all other items related to the subject. Special emphasis was put on the following aspects:

On the substance of the recommendations:

- The economic situation in the EU has improved, but nevertheless challenges and risks remain. This is particularly relevant in the employment and social field: the recovery has not yet been accompanied by a clear amelioration in the employment and social situation in the EU. A better economic development should not lead to diminishing efforts to ensure well-functioning labour markets and sustainable and effective social protection systems. Poverty, inequality, social inclusion and social cohesion remain important challenges.
- A strengthened EMU requires increased attention to employment and social considerations in order for the stability of the Eurozone to be ensured. The employment and social dimension of EMU needs to be considered in the Eurozone CSRs. Further reflection and discussions are needed regarding the long-term convergence process for a deepened EMU. The acceptance by citizens of the EU and its policies depends on the perception of the impact on their lives of the measures implemented and whether these are considered to be fair and balanced.
- As regards the CSRs, the focus now must be on their implementation. Member States are to have discretionary scope for such implementation, whilst adhering to the agreed desired outcomes of the CSRs. Accountability and ownership are preconditions for increased democratic legitimacy.

- Member States should be given appropriate space to decide on the most relevant policy measures, according to their national contexts and priorities, to ensure proper balance between time spent working and time spent in retirement, and to enhance pension sustainability.
- CSRs concerning employment and social issues under the Macroeconomic Imbalances Procedure (MIP) have increased. It is important that the MIP retains its thematic and regulatory scope. Employment and social policy matters must be maintained within the EPSCO decision-making remit and should not systematically become part of the MIP process.

On the process:

- Ministers acknowledged that the preparation and organisation of the European Semester exercise has markedly improved this year thanks to the modifications introduced.
- The current streamlined process has extended the timelines. The early publication of the Country Reports and the draft CSRs has allowed for more discussions between the Commission and the Member States, and a broader and deeper analysis to be undertaken. It has also allowed for a more extensive consultation with all the relevant stakeholders. Ministers concurred that the CSRs are now much more focused and centred on the main priorities, which makes them increasingly pertinent since Member States can concentrate on the priority challenges.
- As regards the work at committee level, the multilateral surveillance with its peer review process and mutual learning continued to be a very valuable tool. The cooperation between EPSCO and ECOFIN committees has improved. Effective and efficient cooperation is required to ensure that issues of cross-cutting nature and mutual interest are well handled and provide for increased policy coherence and well-informed outcomes.

On specific CSRs:

Bulgaria objected to the link between minimum wage and competitiveness as stated in its CSR3.

Austria considered that for increasing the effective retirement age and ensuring the long-term sustainability of pensions, there are other policy options to those stated in its CSR1.

Hungary stated that it could not accept the language expressed in its CSR4 on the public works scheme, where it is called upon to reorient budget resources allocated to that scheme; instead, it suggested to improve the targeting of the scheme and strengthen active labour market policies. The Council decided against the modification of HU CSR4. Hungary submitted a statement to be entered into the Council minutes.
