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NOTE

From:	Presidency
To:	Council
Subject:	Improving employment and social performances within the existent governance framework

Delegations will find attached the Presidency background note on the above subject, with a view to the lunch discussion at the EPSCO Council on 7 December 2015.

Improving employment and social performances within the existent governance framework

Presidency note for the lunch discussion

On 21 October 2015, the European Commission presented its Communication "On steps towards Completing Economic and Monetary Union"¹. It is a follow-up to the publication of the "Five Presidents' Report" and part of stage 1 of the process of completing Economic Monetary Union (EMU), which started on 1 July 2015 ("Deepening by doing"). The package of measures adopted by the Commission also includes a revised approach to the European Semester and the proposal for the establishment of national Competitiveness Boards. Latter has been discussed at the Competitiveness Council on 30 November 2015 where the majority of Member States expressed their concerns. On 26 November 2015, the European Commission furthermore published the Annual Growth Survey 2016 (AGS)² which sets out general economic and social priorities for the EU and gives Member States policy guidance for the following year.

Further to the modifications already proposed and carried out over the past Semester cycle, the main novelties proposed to the European Semester process by the Commission in its communication "On steps towards Completing the EMU", and further developed by the 2016 AGS, are the following:

- recommendation to the Council to recommend the establishment national Competitiveness Boards within the euro area³ in charge of tracking performance and policies in the field of competitiveness. The Boards' set-up should respect a set of minimum criteria, which account for the diversity among Member States, and fully respect the role of the social partners.

¹ Communication On steps towards Completing Economic and Monetary Union (COM(2015) 600 final).

² Communication Annual Growth Survey 2016 Strengthening the recovery and fostering convergence (COM(2015) 690 final).

³ Recommendation for a Council Recommendation On the establishment of National Competitiveness Boards within the Euro Area (COM(2015) 601 final).

- a better integrating of the euro zone and national dimensions, in particular by accompanying the AGS with the draft recommendation on the economic policy of the euro area, previously proposed alongside the draft Country Specific Recommendations in June; this year's draft recommendation covers employment and social aspects, particularly flexicurity and segmentation, life-long learning, unemployment policy and the modernization of social protection systems.
- a stronger focus on employment and social performance, notably via three new employment headline indicators in the Macroeconomic Imbalances Procedure (MIP) scoreboard, greater involvement of social partners in the process and greater attention to social fairness in the context of new macroeconomic adjustment programmes.
- promoting convergence via benchmarking and best practices. Cross-examination is aimed at identifying underperformance and enhancing convergence towards best performers in the area of labour markets. Starting with the 2016 European Semester the Commission plans to progressively suggest benchmarks and cross-examination exercises.
- more focused support to structural reforms in line with the common economic priorities set at EU level, through EU funding and technical assistance. Commission will seek to enhance the use of the European Structural and Investment Funds in support of key priorities highlighted in the country-specific recommendations, including through the use of the measures linking effectiveness of these Funds to sound economic governance.

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

1. The Commission proposes a recommendation to establish National Competitiveness Boards in the euro area. Member States are invited to exchange views on this proposal, taking into account different wage setting mechanisms in the Member States as well as the role of social partners.

2. Member States are invited to express views on the Commission's Communication referring to the "flexicurity concept", such as flexible and reliable labour contracts, as a means to contribute to an upward convergence and a better functioning of the EMU.
 3. The revamped Semester process, as detailed in the communication, provides for a better integration of the euro area and national dimensions, particularly via the anticipation of the Euro area recommendation. Member States are invited to exchange views on further improvement of the Semester process, especially with regards to a better coordination between EPSCO and ECOFIN Councils to ensure full consideration and better integration of aspects relevant to the euro area. How could EPSCO Council be better and more actively involved in the different stages of the Semester process?
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