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From: Presidency
To: Permanent Representatives Committee/Council
Subject: The Future of Social Europe post 2020
Policy debate

Delegations will find attached the Opinion of the European Social Fund Committee on the future of the ESF and the Contribution from the Employment and Social Committees on the social dimension of the multiannual financial framework post 2020. It is an addendum to the discussion paper prepared by the Presidency in preparation for the policy debate at the EPSCO Council on 15 March.

Final text 24/10/2017

ESF COMMITTEE
OPINION ON THE FUTURE OF THE EUROPEAN SOCIAL FUND

I. INTRODUCTION

1. The Commission, through its 1st March 2017 White paper on the Future of Europe and the subsequent 28th June Reflection paper on the future of EU finances, has set out possible paths for the future of Europe including its finances. Through its April 26th 2017 communication on the European Pillar of Social Rights, the Commission set out a number of key principles and rights to support fair and well-functioning labour markets and welfare systems. The 7th Cohesion Report just adopted on the 9th of October will be followed by the Cohesion policy Council meeting on the 15th of November. In May 2018 the post 2020 MFF communication laying out the priorities for the post 2020 budget will be published and will be followed by the proposals for the European Social Fund (ESF) relevant regulatory proposals.

2. In this framework, and following its 4th July 2016 declaration of intent on the future of the ESF post 2020 the European Social Fund Committee (hereinafter “the Committee”) expressed a wish to formulate an Opinion with a view to making a contribution to the future orientations of the European Social Fund (ESF) post 2020

3. To that end, in 2016 the Committee established an ad-hoc expert group to serve as a forum for informal discussions on the future of the ESF, composed of experts nominated by the Member States and social partners, in view of their personal knowledge and expertise on the subject. This group met seven times from July 5th 2016 to June 15th 2017 and the results of its discussions underpin the formulation of the present Opinion.

4. The Committee discussed this opinion at its 6th of October 2017 meeting and adopted it in principle via written consultation ending on the 24th of October. In accordance to the Committee's rules of procedure it is addressed to the European Commission, the European Parliament, the European Council, the Economic and Social Committee and the Committee of the Regions. It is offered without prejudice to the positions of Member States in Council and without prejudice to the negotiations of the next financial framework.

II. EUROPEAN ADDED-VALUE OF THE ESF

5. The Committee wishes to highlight the essential European added value of the ESF¹ and its crucial role supporting Member States in addressing main challenges in the area of human

¹ ESF as such has a proven record of EU added value in terms of:

- **Volume effects:** providing significant financing resources to address employment and social challenges in a majority of MS

capital development. The Committee underlines that although the European Union has left the financial crisis behind, its social impact is still severely felt. In addition, the targets to reduce poverty and (long term) unemployment of the Europe 2020 Strategy will not be reached. The Committee also emphasises that in many Member States the ESF plays a significant role helping to reach the objectives of the proposal for a European Pillar of Social Rights, namely striving to reaffirm and further strengthen relevant rights and principles in support of equal opportunities and access to the labour market, ensure fair working conditions and social protection, as well as enhancing social inclusion. It underlines the right to quality and inclusive education, training and life-long learning in order to maintain and acquire skills that enable people to participate fully in society and manage successfully transitions between education and working life and within the labour market. The ESF is thus a key instrument of European solidarity.

6. In order to foster Europe's competitiveness, increase employment participation and job creation, ensuring access to quality jobs and reducing poverty, there is the need to further invest a significant part of the EU budget in employment and social policies, as well as skills development through vocational education & training. Supporting employees and employers, especially those who go through the process of organizational changes, should also contribute to building innovative and inclusive learning economies, as well as help to develop high quality workplaces for EU citizens.

7. The Committee also wishes to stress that the EU support for public administration reforms at national, regional and local level is needed and brings important EU value added. Good public administration is instrumental for increasing competitiveness, fostering job creation, reduction of poverty and greater social cohesion. ESF investments in enhancing institutional capacity contribute to the development of the public sector's human capital and to a more efficient implementation of EU policies in Member States.

In 11 Member States ESF investment represented 70% or above of all measures helping unemployed to find a job with training and counselling.

Certain Member States have used ESF extensively in education, making up more than 5% of overall national investments to increase access to education and training and to increase its quality.

- **Scope effects:** broadening existing actions by supporting groups or policy areas that would not otherwise receive support

- **Role effects:** supporting local/regional innovations that are then mainstreamed at national level and introducing new ways in which stakeholders can work together

In the period 2007-2013, the ESF investment amounted to EUR 76,3 billion. This represents approx. 0.54% of total EU GDP in 2014 (end of period approx. EUR 13,95 trillion). However, the ESF had a positive effect in terms of GDP and productivity for both EU-12 (+1.5 %) and EU-15 (+0.2 %). ESF helped Member States to increase employment rates, prevent school drop-outs and reduce poverty. In particular, during the crisis the ESF helped maintain public investment in a time when Member State had to reduce costs. Thus, the ESF offered some significant relief to the negative effects of the crisis.

8. The Committee stresses that the ESF, as a Fund that targets people, has a particularly important role to play and is one of the best instruments the EU has at its disposal to help Europeans, especially those living in the most unfavourable situations, improve their employability and adaptability, contribute to and, reap the benefits of future growth in line with the EU's political objectives and priorities, including the key principles of the proposal for a European Pillar of Social Rights.

9. In this context, the Committee considers that the ESF's contribution to human capital development should be strengthened in the future financial framework. With additional pressing challenges such as migration, inequalities, poverty, and the need for new forms of education and upskilling, the Committee urges the Commission to ensure that an appropriate budget is allocated to the ESF.

10. In particular, the Committee insists on an adequate ESF budget allocation in the framework of the scenarios proposed in the White Paper on the Future of Europe, and its paper on the Future of EU Finances. It is of the utmost importance to ensure sufficient levels of funding for human capital development's existing needs in the Multi-annual Financial Framework post 2020.

11. Unemployment in the EU is at a nine year low. However we still face many important and persistent challenges to our labour market such as youth unemployment, long-term unemployment, digitisation, automation of tasks, quality of employment, adaptability to new jobs, some of which are side effects of globalisation; in addition to the pressing skills shortages, amongst others. Moreover, the upward social convergence objective supported by the proposal for a European Pillar of Social Rights points to the need of sustained European intervention in these areas.

III. THE SCOPE AND PRIORITIES OF THE ESF IN THE LIGHT OF THE EU'S WIDER POLITICAL OBJECTIVES, INCLUDING THE PROPOSAL FOR A EUROPEAN PILLAR OF SOCIAL RIGHTS

12. The Committee recommends that the ESF should contribute meaningfully to the implementation of the EU's wider political objectives. In particular, as the EU's most important instrument investing in human capital, the ESF should underpin the priorities of the proposal for a European Pillar or Social Rights. Employment, self-employment, training and education, innovation, active inclusion, reconciliation of work and family life, availability and quality of care infrastructures and equal opportunities policies are indeed key engines for empowering people by developing their knowledge and skills, promoting a culture of innovation, boosting employment levels, and fostering an inclusive labour market.

13. Today's Cohesion policy contributes to the Europe 2020-agenda for growth and jobs. With the other funds belonging to it, we support a Cohesion policy that remains connected with a common transversal strategy at European level. Cohesion policy should also contribute to the European implementation of the UN's 2030 agenda for sustainable development.

14. To ensure the alignment of the future ESF with the EU's political priorities, the Committee considers that the ESF's priorities should be based on the policy objectives of the Employment Guidelines adopted by the Council with the assent of the European Parliament.

15. In addition, the Committee recommends that the ESF should continue and enhance its support to structural reforms in key areas important to employment, skills and social policies via a system of positive incentives towards the achievement of results. With this in mind, the Committee welcomes proposals to incrementally adapt the European Semester in order to ensure better coordination with the ESF.

16. Furthermore, in the context of the proposal for a European Pillar of Social Rights, and given the link with the European Semester, in terms of improving the implementation of national labour market reforms, an improved use of ESF resources should focus on issues that have a positive impact on growth and jobs.

17. The Committee recognises the role that social dialogue can play for an effective implementation of such structural reforms, in line with national industrial relations systems and practices. In this regard the Committee wishes to stress the essential role of the social partners in the proper functioning and the modernisation of inclusive labour markets. In this respect, the ESF should continue and enhance its support to their institutional capacity and their joint activities.

18. The Committee considers that gender equality and anti-discrimination should remain key horizontal priorities for the ESF in the next programming period.

19. The Committee recommends that social innovation and transnationality should continue being encouraged in the next programming period in employment, education and active inclusion policies.

20. Although the Committee considers that grants should remain the main instrument of the ESF post 2020, it supports the continuous development of smart financial engineering to blend grants and loans in order to increase the resources available for employment and inclusion policies using the leverage of the ESF, where appropriate. There is a need to streamline grant and financial instruments also in view of making them more accessible and easier to combine.

IV. THEMATIC CONCENTRATION

21. Through the ESF, Europe demonstrates its solidarity with citizens in need of support, irrespective of where they live. The Committee considers that the ESF, as one of the few EU funds targeting people, should be an instrument open to all Member States and regions, since the fight against unemployment or social exclusion or the need for a skilled and adaptable workforce are not issues for poor countries or regions only. They are neither confined to any particular area of the EU nor directly linked to Member States' development levels expressed in terms of relative wealth.

22. Nevertheless, the Committee considers that the intensity of ESF support should be differentiated between Member States. National allocations should be based on a mix of indicators better reflecting national economic, social and employment realities and also taking into account their position vis-à-vis the EU's wider policy objectives.

23. The Committee recognises the need to reinforce thematic concentration of ESF support in order to ensure that interventions have a tangible impact and achieve a critical mass depending on Member States' needs, while still allowing room for flexibility. The Committee acknowledges that thematic concentration is a useful tool to ensure the funding of key priority areas.

V. RELATIONSHIP WITH OTHER EU FUNDS

24. Based on the relevant provisions of the Treaty on the Functioning of the EU, the Committee considers that the ESF is a funding instrument for the development of labour market, employment policies and social inclusion. As such, the autonomy of the ESF should be maintained in order to allow it to fulfil its policy mission, whilst contributing to economic & social cohesion, as well as to the upwards convergence between Member States and Regions.

25. The Committee considers that the ESF's complementarity with other EU funds in the area of human capital development, should be reinforced while safeguarding the ESF's target group's specificities.

VI. PARTNERSHIP

26. The European code of conduct on partnership has helped to improve the efficiency and effectiveness of ESF activities through strengthening cooperation between managing authorities, social partners and other stakeholders. At the same time, scope remains for further improving the implementation of the partnership principle.

VII. SIMPLIFICATION

27. The Committee considers that simplification for all stakeholders of the Fund must imperatively be a fundamental guiding principle for the new programming period. The Committee thus invites the Commission to take the recommendations of the High Level Group on Simplification into account in the drafting of the post 2020 proposals.

28. The Committee believes that there is a need to simplify and streamline the strategic frameworks which ensure the coherence with the EU policy strategy and between the different EU level human capital financing instruments. The Committee stresses that ESF programming should rely on fewer strategic documents.

29. The ESF should strive to increase the use of simplified cost options as much as possible.

30. The Committee considers that some excessively complex processes, which have been delaying factors in the start of the current period should be gradually streamlined and improved post 2020 in order to ensure the continuity of the current management and control system.

VIII PROGRAMMING PROCEDURES

31. As also recommended by the High Level Group on Simplification the Committee would encourage the Commission to maintain the set of rules applicable during the 2014-2020 funding period in force in order to bring about more legal certainty, continuity and clarity to Member States and beneficiaries alike. What has worked well should be preserved and burdensome requirements should be streamlined.

32. Where systems have reached certain quality standards, additional disclosure and documentation requirements should be reduced and confidence and trust in the reliability of the management and control systems should be easier to obtain. In this framework the Committee invites the Commission to take the recommendations of the High Level Group on Simplification on programming procedures into account in the drafting of the post 2020 proposals.

IX. DELIVERY SYSTEM: MORE FOCUS ON RESULTS

33. With a view to simplification and ensuring that the ESF's policy objectives, size and nature of its actions are met, the Committee considers that a simple common denominator of minimum rules for all EU funds allowing for certain specific rules, should be an option for post 2020 implementation.

34. With a view to striking a new balance between the sufficient protection of the financial interests of the Union on the one hand and, the reduction of the administrative, control and audit burden on the other hand, the Committee encourages the Commission to explore additional ways and means of delivering the ESF, allowing Member States for instance to opt for performance based approaches.

35. The Committee considers that subsidiarity and proportionality should be key principles for further simplification of cohesion policy.

36. Along the same lines, the Committee is convinced that trust between all stakeholders involved needs to be central to future cohesion policy.

37. The regulatory framework with regard to governance and control could foresee a differentiation on the basis of certain quantitative and qualitative criteria.

X. VISIBILITY

38. As a fund that targets people, the ESF can also be seen as the key instrument to increase the visibility of European Cohesion policy and to demonstrate where the EU makes a difference to its citizens.

39. The Committee therefore considers that a proper visibility of the ESF's actions, under a common EU visibility umbrella should be ensured. It is imperative that we build up strong public support with and in the Member States around the funds investing in human capital and ultimately in Europe's citizens.

Annex:

ESF COMMITTEE
DECLARATION OF INTENT ON THE FUTURE OF THE EUROPEAN SOCIAL FUND

Adopted on the 4th July 2016

The European Social Fund Committee (hereinafter “the Committee”) wishes to formulate an opinion on the European Social Fund (ESF) for the post 2020 programming period, with a view to informing the Commission's preparation of the legislative proposal.

The Committee wishes to highlight the essential European added value of the ESF and its crucial role supporting Member States in addressing main challenges in the area of human capital development. The Committee underlines that in many Member States the ESF plays a significant role helping to reach the objectives of Europe 2020, namely supporting the process of implementing the necessary structural reforms, skills development and labour market integration, which benefits the whole of society and reduces the risk of poverty. The ESF is thus a key instrument of European solidarity.

In order to foster Europe’s competitiveness, increase employment participation and job creation and reduce poverty, there is the need to further invest a significant part of the EU budget in employment and social policies, education & training and public administration reform. The Committee wishes to urge the Commission to consider several issues in its preparation of the future programming period (non-exhaustive list):

- To ensure better and broader support for the above policy areas and, in particular, to look at the role of the ESF² in the landscape of EU level funds and financial instruments which also offer support in the same areas
- the future scope of the Fund in geographic, thematic and eligibility terms given the challenges ahead;
- the strategic alignment to EU policy objectives
- the result orientation and conditionality of funding;
- the need for simplification and increased flexibility;
- the need to consider alternative delivery modes

² THE EUROPEAN SOCIAL FUND *Article 162* (ex-Article 146 TEC)

In order to improve employment opportunities for workers in the internal market and to contribute thereby to raising the standard of living, a European Social Fund is hereby established in accordance with the provisions set out below; it shall aim to render the employment of workers easier and to increase their geographical and occupational mobility within the Union, and to facilitate their adaptation to industrial changes and to changes in production systems, in particular through vocational training and retraining.

The Committee finally stresses the need to appropriately involve all relevant actors, social partners in particular, and informs the Commission of its intention to formulate a second opinion in the beginning of 2017.

The Committee invites the Commission to take this opinion into account in the drafting of the impact assessment and in the general development of the future ESF.



The Employment Committee
The Social Protection Committee
The Chairs

15 December 2017

Ms Zornitsa ROUSSINOVA
Deputy Minister of Labour and Social Policy

Subject: Discussion on the social dimension of the next multi-annual financial framework post-2020 in the joint EMCO-SPC meeting.

Dear Ms Roussinova,

Thank you for your letter of 20th October. At its joint meeting on 30th November the Employment Committee (EMCO) and the Social Protection Committee (SPC) held a discussion on the social dimension of the next multi-annual financial framework (MFF), answering to your request for a contribution on the social dimension of the MFF feeding into your preparation of a policy discussion in the March 2018 EPSCO.

Many Member States thanked the incoming Bulgarian presidency for putting this topic on the agenda. It is with great pleasure that we now inform you on the main outcome of our discussion.

More than half of the Member States expressed their views during the discussion, which was structured around the subjects of duration, structure, funding and simplification. Many stressed that their positions were preliminary at this stage and that having a proposal with an accompanying impact assessment on the table was considered necessary for any final position.

As regards the *duration* of the MFF there was, among the Member States expressing their position, general agreement that the current seven-year duration of the MFF is suitable to ensure continuity and stability. There was no support voiced for a shorter duration.

Most Member States expressed general support for retaining the current *structure* of the funds and were not in favour of creating new headings in the MFF. Several Member States agreed on the need to ensure better visibility for the impact of the funds vis-a-vis the general public. Post-Brexit rationalisation and modernisation was also mentioned by some Member States and the need to enhance complementarity of the funds was underlined by a number of those who intervened.

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With regards to *funding*, a number of Member States voiced support for, one way or the other, using funds in supporting Member States in their efforts to implement the Social Pillar. Some Member States expressed openness to the idea of creating a specific fund for the implementation of the Social Pillar fund, some were sceptical, others thought that the existing structures could support the implementation of the Pillar already with a few changes in order to make them more targeted and focused. The need for investment in human capital was underlined by several Member States in this context.

There was general support for the idea of *simplification*. Several Member States referred to the Opinion of the ESF Committee and the High-Level Group on Simplification in this respect. Reducing the administrative burden should be accompanied by efficient and effective control mechanisms. In this context, risk-based control mechanisms were mentioned by some Member States.

I hope you find the above summary of our discussions useful in view of feeding into the relevant EPSCO debate currently planned for March.

Yours sincerely,



Ilze Zvidrina
Chair of the Employment Committee



Ulrika Hall
Chair of the Social Protection Committee

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