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**NOTE**

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From: Employment Committee and Social Protection Committee

To: Permanent Representatives Committee/Council

Subject: Assesment of the 2018 country-specific Recommendations (CSRs) and the implementation of the 2017 CSRs  
= Endorsement of the opinions of the Employment Committee (EMCO) and the Social Protection Committee (SPC)

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Delegations will find attached the above-mentioned opinions (EMCO Annex I and SPC Annex II) with a view to the Council (EPSCO) meeting on 21 June 2018.



## The Employment Committee

### EMCO's 2018 Horizontal Opinion on the Semester

As mandated by the Council, the Employment Committee (EMCO) has examined the implementation of the labour market aspects of the 2017 Country-Specific Recommendations. It has additionally analysed Member State responses to a number of the Key Employment Challenges identified by the Employment Performance Monitor. And it has reviewed the state of play of implementation of the Youth Guarantee (all Member States), and the situation regarding social dialogue (12 Member States). The country-specific conclusions, which have resulted from this multilateral surveillance activity, are an annex to this document. The reviews are organised thematically, which allows for horizontal conclusions to be drawn. These are presented in Section 2 of this Opinion.

The Employment Committee has also recently adopted the draft<sup>1</sup> version of the new and updated Employment Performance Monitor, which provides an analysis of the labour market situation in individual Member States, and identifies both Key Employment Challenges and Good Labour Market Outcomes for them.

Using the results of the multilateral surveillance work and the Employment Performance Monitor, the Employment Committee has, in co-operation with the Social Protection Committee (SPC) and the committees of the ECOFIN Council, and with the input of the Education Committee, discussed and upheld or amended the Commission proposals for country-specific recommendations.

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<sup>1</sup> This will be submitted to the EPSCO Council for endorsement in October, alongside EMCO's Annual Employment Performance Report and a number of key messages regarding the labour market situation.

The first section of this Opinion provides a horizontal assessment of the Commission proposals for the 2018 Country-Specific Recommendations. It includes a summary of the comments made by the European Social Partners, as expressed in the joint EMCO – SPC meeting on 30 May 2018. The second section contains the main thematic messages arising from the multilateral surveillance reviews. A third section contains the key messages arising from EMCO's work on the political economy of reforms, many of which are of general relevance to the Semester. A final section contains considerations on the process.

## **Section 1: the 2018 Recommendation proposals**

This year saw a reduction in the overall number of CSRs, from 78 in 2017 to 72 in 2018.

Of these, 36, or 50% had at least one element falling within EMCO or SPC competence (whether exclusive or shared). This is broadly in line with previous years (45% in 2017; 47% in 2016; 52% in 2015).

In terms of the evolution of the focus of the proposals, the CSR package continues to have a strong focus on education, skills, and training (20 CSRs this year). Active Labour Market Policies and Public Employment Services have 11 CSRs, and there are 9 CSRs concerned with the labour market participation of women. There are relatively fewer CSRs on wages this year (6 this year compared to 10 last year). As in previous years, there is considerable coherence between the Commission's analysis in the CSRs and EMCO's own Employment Performance Monitor, but also occasional discrepancies (for example, this year's EPM has identified slightly more than half as many Key Employment Challenges in the field of ALMPs and PES as last year, whereas the number of CSRs has stayed essentially the same).

There continue to be a few CSRs targeting policy action in the fields of integration of Roma and people with a migrant background, youth unemployment and labour market segmentation.

One notable change this year in the content of the CSRs concerns social dialogue, also in view of the European Pillar of Social Rights: there are 2 CSRs and eight recitals on the subject. This is considerably more than in previous years.

## Views of social partners

The CSR proposals were discussed with European social partners at a joint meeting with the Social Protection Committee on 30 May as a prelude to the discussion on the CSRs themselves.

The trade unions (ETUC) welcomed the greater attention paid to the social impact of policies covered in the Semester. However, they argued that there was a lack of attention paid to the quality of jobs. They also underlined the still high rate of in-work poverty. They advocated more investments and redistribution of wealth starting from upward convergence of wages and working conditions across EU Member States.

ETUC welcomed the progress made by embedding the Pillar into the Semester, but stressed that Member States would need more fiscal space if they were to implement the Pillar properly. They argued the need for greater involvement of social partners in national level Semester processes.

ETUC also welcomed the focus of many CSRs on active labour market policies, but argued that there is still a lack of a clear overall picture of what well-functioning labour markets look like, and the role active labour market policies have in delivering them.

The employers (Business Europe, UEAPME and CEEP) welcomed the overall balance of the CSR package, but reiterated their concerns over what they perceived to be the low level of implementation of CSRs. They agreed that the Semester was the right vehicle for implementing the European Pillar of Social Rights. Skills – and particularly the need to ensure the right level of digital skills in the workforce – were a key concern for them: the skills gap and skills mismatches are seen as a top priority. The focus on education and skills in the CSR package was therefore welcome, although they noted that education reforms, by their nature, tend to take time to implement.

The need for clear and flexible labour market regulation was emphasised. Concerns were also raised over the need to reduce non-wage labour costs, which they believe can put the EU at a competitive disadvantage vis-à-vis its global competitors.

The issue of labour market participation was highlighted, in particular the need to draw on the inactive part of the population, especially in a context of generally good performance of labour markets and already present or building up labour shortages in some countries and sectors.

Fostering longer working lives was seen as another key element, benefitting both fiscal sustainability and adequacy of pension systems.

Social partners and EMCO also repeated their continuing support for the partnership that has seen, for the first time, surveillance conclusions on social dialogue included in the conclusions annexed to this Opinion. The review exercise continues to develop and will be repeated in November 2018. EMCO and the social partners will also explore other ways in which cooperation could be further deepened.

## **Section 2: Horizontal messages from the 2017 – 2018 multilateral surveillance cycle**

As noted above, EMCO's multilateral surveillance reviews are organised thematically. This allows horizontal conclusions to be drawn from each set of reviews, and these are presented here.

EMCO's Key Messages from the review of the implementation of the **Youth Guarantee** have been submitted separately to EPSCO in March 2018<sup>2</sup>.

In the review of CSRs and KECs connected to **wages and competitiveness**, it was noted that wage-bargaining structures, and the role of social partners, vary considerably across Member States (in some, it is even the sole responsibility of the social partners or takes place just at company level). Within these contexts Member States are often trying to promote a given direction (either moderation or greater increases – EMCO has looked at both cases this year) with a relatively limited number of levers.

Given the role that governments may have in minimum wage setting, the importance of a transparent and predictable wage setting system was again underlined. Monitoring of the direct and indirect effects of minimum wage setting is also very important.

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<sup>2</sup> Council document 6149/18

Wage-setting in the public sector can also be a lever to influence wage growth at the macroeconomic level, again paying attention to both direct and indirect effects and the overall macroeconomic context, although care needs to be taken with regard to those who may lose out. Benchmarking against international standards and practices can also help. And private sector wages can also have an impact on the public sector.

Broader policy options are open to governments to enhance productivity in support of wages and growth. On the labour market side, reskilling and upskilling were highlighted as key policies in this respect. They would also contribute to improving the employability of low-skilled people, enabling them to face the ongoing and upcoming structural changes and challenges, including globalisation and digitalisation.

The review on **labour taxation** underlined that addressing the high tax-wedge is a very important but nonetheless slow-moving issue where there is often a great deal of inertia. At the same time, tax differences often reflect societal preferences. In this context a number of Member States have introduced measures, often (but not always) as part of a gradual approach which builds on previous reforms. The focus of attention has generally been at the low-wage end of the scale. Whilst reforms have tended to be slow (though some Member States have done more than others) they go in the right direction.

The effects of these changes will need to be watched carefully: we must beware of creating traps for the labour market prospects of certain groups. Continuous monitoring is therefore required.

The review on **labour market segmentation** noted that Member States have introduced a number of measures to promote transitions to permanent hiring: changes to social security contributions; wage subsidies; negative premiums for sectors and companies; large scale transitions to permanent contracts in the public sector; finding a better balance in dismissal frameworks and severance payments.

On self-employment, it is important to help the lower-end avoid the risk of abuse without stifling the higher end. The effect of a high share of self-employment on the sustainability of social security systems also needs to be considered.

The attitude of employers has an important part to play in tackling undeclared work (which can cover, for example, fictive part-time work or envelope wages). Awareness raising therefore has a major role to play, and social partners can be involved in this.

As a general point, all of these efforts should be supported by adequately resourcing labour inspectorates.

In the review on **Active Labour Market Policies and Public Employment Services**, the Member States under review reported significant improvements of their labour market situations, but also highlighted specific concerns about labour market shortages and about the obstacles faced by people farthest from the labour market. Combined measures that promote hiring on open-ended contracts and that target vulnerable groups (like the long-term unemployed) are welcome, as they address both labour market segmentation and long-term unemployment. Greater linkages between the receipt of social benefits and individualised activation measures are crucial for improving the access to labour market for people belonging to vulnerable groups. Registration of the unemployed is also closely linked to the overall design of benefits and services.

The capacity of the public employment services (PES) remains an issue, although less so than in previous years. Co-operation with private employment services has some potential to support the capacity of the PES. The role of the PES as one-stop shops / single point of contact for employment could play an important role in stepping up the activation of a larger number of long-term unemployed. Moreover, better profiling, individual counselling services, specialisation of counsellors and a set of standardised services offered by PES have the potential to improve the support to jobseekers. In that respect many Member States have increased their efforts in training of the PES staff. Several Member States have stepped up the use of ICT for improving the functioning of the PES as well as continued to explore "payment for performance" options.

There is still scope for ensuring efficient and effective active labour market policies, for increasing their coverage and for improving their sustainability by an optimal use of public financing. Monitoring and evaluation of policy measures are therefore of great importance. This is particularly true given the scale and number of reforms which have taken place in recent years.

EMCO's reviews on **labour market participation** are increasingly focused on specific groups who are still under-utilised in the labour market: women; people from a migrant background; the low-skilled; and older workers. Increasing participation of these groups is an urgent challenge which requires both immediate action and a longer-term approach.

Some Member States are improving rights to part-time work, in some cases with a right to return to full-time work. These can be important for women and older workers in particular. Female labour market participation is also affected by disincentives for second earners. Quantity and quality of childcare is also important to foster women's labour market participation and is the subject of considerable efforts in a number of Member States, several of whom experience significant regional disparities. More is needed in this area as the challenge is sizeable.

Several Member States are also working to improve fathers' uptake of parental leave. As with all issues relating to female labour market participation, a considerable proportion of the challenge can be considered to be cultural, but successful initiatives show it is nonetheless possible to achieve positive results.

On the gender pay gap a number of Member States are looking to improve enforcement rather than introduce new legislation, as is also the case for discriminatory practices in hiring. A number of innovative approaches are being tried out in some Member States, and it would be useful to share the experience gained from these at a later date. Social partners have an important role to play in both of these areas, as does awareness-raising for employers and employees.

A number of Member States use subsidies to promote labour market participation. These need to be closely monitored for effectiveness.

Upskilling and lifelong learning can help to promote participation of the low-skilled but also continued participation of older workers. However this requires time and commitment, and engagement with social partners. This is another policy area where there are some innovative approaches being tried in some Member States, and it will be interesting to see the results of these in the near future.

The size and nature of the problems related to labour market participation of those from a migrant background varies considerably across the EU. There are some good developments looking to combine work with education, particularly language training.

The review on **education, skills, and lifelong learning** once again emphasised the need for challenges and reforms in these fields to be addressed over longer time periods. Reforms are often rolled out in stages, using pilot projects. Reform processes therefore need to allow measures to be adapted on the basis of initial results. Several Member States faced the challenge of scaling up successful pilot projects to the national level. Stakeholder involvement is often vitally important if reforms are to progress successfully.

A number of reforms in the area of vocational education and training have been carried out. However, take-up is still low (and indeed is declining in a number of Member States) underlining the ongoing need to make it more attractive to potential students, for example by ensuring a path from vocational education and training to higher education. The involvement of employers is crucial in ensuring the labour market relevance of education and training, which should improve the transition from education to employment.

A number of Member States are investing in systems of professional development of teachers and trainers in order to improve the attractiveness of the teaching profession. Salary increases for teachers have also been introduced in some cases.

When it comes to inclusive education for disadvantaged groups – and especially Roma, who featured prominently in EMCO's discussions - both overarching and targeted policies are often needed. Early childhood education and care is of particular importance as the basis for future success. Measures to involve parents – for example literacy course - are also important. Policies to make higher education more inclusive could also be considered as part of the policy mix.

Investing in skills upgrading, adult education and lifelong learning is crucial for maintaining a productive workforce equipped with labour-market relevant skills, so funding of the reforms need to be maintained, or strengthened if necessary. Some Member States are planning awareness rising campaigns and information dissemination to increase participation in adult education and learning.

Digitalization of schools and infrastructure improvements have been the focus of some Member States. The investment in education (as % of GDP) differs across EU Member States, though in some cases it was evident that further progress to be achieved in educational reforms, additional investment would be needed.

### **Section 3: EMCO's key messages on the political economy of reforms**

During the course of the 2017 – 2018 Semester cycle, EMCO's Policy Analysis Group carried out thematic work on the political economy of reforms and a number of points arose which are of relevance to the Semester. This is particularly the case in the context of growing interest in the extent to which the Semester is helping drive reforms.

There is inevitably a considerable degree of complexity when it comes to assessing progress in the implementation of reforms: when is a reform considered to be fully implemented, partly implemented, or not implemented? Diverging conclusions on implementation rates of country-specific recommendations are reached in different analyses, relying on different methodologies

Recent Commission analysis has concluded that at least some progress has been made on 70% of the country-specific recommendations when assessed on a multiannual basis, as compared to around 50% on a yearly basis. Perhaps unsurprisingly, given the medium- to long-term nature of many reforms, the implementation rate tends to be significantly higher when analysed on a multiannual, rather than single-year, basis. The implementation of employment, social and education CSRs has progressed at a similar pace as the recommendations in other policy areas. Whilst relatively few CSRs are considered to be “fully” implemented, the analysis also showed that only a small number of recommendations do not translate into any reforms being implemented (while for some further recommendations the reform effort is assessed as limited).

A number of reforms were implemented in the early years of the Semester in areas such as early retirement and disability schemes, and the sustainability of welfare-related benefits, which have become later rather less the focus of attention. Issues such as labour market integration of particular groups, active labour market policies, and labour taxation have been prominent throughout. And issues such as reducing poverty and social exclusion, and strengthening education and skills, have come increasingly to the fore in recent cycles.

EMCO has often emphasised that reforms in the labour market are complex and take time to design, implement and show effect. Successful reforms require ownership at national level, and very often the involvement and buy-in by social partners and other stakeholders. Engaging the necessary actors and building the necessary consensus requires time. Reform options are often a compromise balancing different interests, found in order to move forward. Sequencing and packaging of structural reforms can make a major contribution to reform implementation by exploiting synergies and complementarities between different types of reforms.

On the whole it should be recognised that there has been a declining trend in implementation of CSRs. Whilst the reasons for this need to be explored further, it is clear that the current moment of economic recovery, with economic expansion that has become solid and lasting, provides the best time to adopt structural reforms. These could yield long-term benefits for society at large, increase economic resilience and consolidate the convergence process that has just restarted. The challenge for the Semester and EMCO's work is now to continue to provide the momentum for such reforms.

## Section 4: the CSR process in the context of the European Semester

The overall balance and the focus of the CSR package seem right. The 2018 process has been influenced by the priorities set out in the European Pillar of Social Rights. There have been a number of improvements in both the drafting of the CSRs and the functioning of the process itself from previous years. Whilst some concerns remain – particularly regarding the short timescales, the process itself ran relatively smoothly: co-operation with other Committees, in particular, now functions very effectively. On the text of the CSRs, these seem to have become less prescriptive, leaving room for Member States to respond in a country-specific way. That said, CSRs were sometimes more explicit in specific cases where the Commission's argument is that an insufficiently strong past response required a more urgent and focused response. This was particularly the case for the CSRs related to statutory retirement age. Wages and possible wage imbalances were less the focus of the CSRs compared to previous years as highlighted by the interventions of the ECB in the discussions. However, labour costs and wages are already considered in the Euro Area recommendation. On this latter point it may be worth considering ways of following-up / discussing the implementation of the Euro area Recommendation (or elements thereof) in the future.

Some previous concerns remain. EMCO continues to emphasise that the bundling of several unconnected policy recommendations into one CSR can give an ambiguous and insufficiently clear message about priorities to focus on and makes an accurate assessment of the level of implementation difficult. In this context, the overall number of CSRs is, in EMCO's view, not as important: it is the number of separate and discrete recommendations that counts. EMCO continues to state its preference for a “one CSR = one recommendation” approach.

Last year EMCO had concerns about CSRs that were not prefigured in the preparatory work, and it was good that this was not an issue this year. Indeed, the Commission has clearly drawn significantly on EMCO's multilateral surveillance work in preparing the CSRs. In turn, the surveillance conclusions were drawn upon during the discussions on the CSRs, and often provided a definitive resolution to a given point of discussion or debate. The findings of the Employment Performance Monitor also proved invaluable as a resource to underpin the discussions. The surveillance work makes considerable resource demands on both Commission and Member States, but it definitely proved its worth at this point in the cycle.

EMCO continues to note the important contribution made by the improved dialogue on the Country Reports, which enhances shared understanding.

The Commission continued to use the sort of improved drafting of CSRs which EMCO praised last year, avoiding qualifiers and language such as “continue doing X” or “further do Y”. Similarly, EMCO maintained the general rule of not accepting proposed amendments which are cosmetic, rather than being of substance.

The timetable continues to pose problems to Member States. A more reasonable timetable would help improve the process in a number of ways. Firstly, EMCO is of the view that it might actually reduce the number of comments made by Member States: it seemed this year that a number of Member States had not had the time to do the internal coordination necessary to prioritise amendments, and had therefore sent all the comments produced by their internal consultation. Secondly, it would allow Member States more time to read and comment on each other’s CSRs and thus ensure a genuine multilateral approach. Thirdly, it would allow Member States more time to see the comments submitted by other Member States. At present, it is clear that many participants have no time to comment on other CSRs, and no time to prepare a position on the proposals of others. If the process is to be truly multilateral, at least one week more than at present should be allowed between the adoption of the CSR proposals, and the first Committee meetings.

The process of CSR discussions could perhaps be expedited by exploring ways to resolve Member State comments on matters of fact ahead of the main Committee meetings.

Looking forward, it is worth underlining that the way EMCO currently works on the Semester has evolved since it was introduced. It continues to draw on the Europe 2020 framework to a certain degree. With the end of the Europe 2020 time period approaching, EMCO will need to consider how and when the Europe 2020 work can be most effectively evaluated, and any implications which the ending of that strategy has for its future work. In particular, a stock-taking exercise of the current range of analytical and statistical tools would seem worthwhile. There will be a first discussion of this at the EMCO meeting in Vienna in September 2018.



## **The Social Protection Committee**

### **Assessment of the 2018 Country-specific Recommendations (CSRs) and the implementation of the 2017 CSRs**

#### **Preamble**

On behalf of the Council and in line with the provisions of title X of the Treaty on the Functioning of the EU (TFEU) and the mandate of the Committee given by Article 160, the SPC has carried out in the spring of 2018 an analysis of the implementation of the 2017 Council country-specific recommendations (CSRs) in the area of social protection and social inclusion (part I of this opinion). In line with its mandate, the requirements under Regulation (EU) No 1176/2011 and the Council decision establishing the Committee, which calls for the SPC to contribute to all aspects of the European Semester within its field of competence and report on them to the Council, the SPC also examined the new Commission proposals for CSRs in 2018 in the areas of social protection and social inclusion (part II of this opinion). Issues related to health have been examined jointly with the Council Working Party on Public Health at Senior Level. Part III contains some general remarks on the governance aspects of the 2018 European Semester process.

The Committee would like to underline that social policy should be considered as an investment and a productive factor. The process of modernization of social protection systems which has been on-going in many Member States needs to continue by implementing the active inclusion principles, emphasizing labour market participation and integration in society, adequate income replacement and support and the provision of affordable and quality services, by pursuing the joint objectives of adequate and sustainable pension systems, and by ensuring accessible, quality and sustainable health care and long-term care. The success of reforms in the area of social protection and social inclusion is key to promoting social cohesion, improving social outcomes, and reducing income inequalities, and is also dependent upon the effective involvement of social partners and civil society.

## Part I

### Main findings from the SPC multilateral surveillance reviews on the implementation of the 2017 CSRs

#### **1. Reforms in the area of social protection and social inclusion**

Despite the general improvement in the social situation in Europe, reflected by the decrease of the number of people at risk of poverty and social exclusion to around pre-crisis levels, the EU still faces severe challenges in reaching its Europe 2020 poverty and social exclusion target. A continued deterioration in the depth and persistence of poverty, high inequality, and signs of gaps in the adequacy of social benefits pose challenges to the social safety nets in a number of Member States. Social protection systems, which provide adequate and well-targeted income support, foster labour market participation and ensure equal access to quality services, play an important role in addressing those challenges. In that sense, systematic analysis in the areas of Social Protection and Social Inclusion for every Member State remains a key task under the European Semester.

In 2017, Country Specific Recommendations (CSRs) in the field of social protection and social inclusion were issued to 13 Member States. Continuing previous years' approach, there is a strong emphasis on improving the coverage and adequacy of social benefits, while ensuring coordination and rationalization of benefits for reducing disparities and fragmentation of income support schemes; on the provision of quality services (such as childcare, housing and long-term care); and on gaps to social protection for people working on non-standard contracts.

The multilateral reviews of the CSRs' implementation showed that all Member States with a Council recommendation in this area are making progress in addressing the challenges.

Several Member States are pursuing policy reforms that improve the coverage and adequacy of their social safety nets. These reforms include measures to improve the adequacy of social assistance, including through increasing the level and coverage of minimum income schemes while ensuring an effective link with labour market (re-)activation; measures to address the fragmentation of social assistance systems; efforts to improve the targeting and coverage of social assistance, also by harmonizing and simplifying the provision of benefits; and the introduction of new benefits for persons in vulnerable situations.

Other member states are taking action to facilitate access to quality social services. The availability, accessibility and affordability of childcare, as well as the provision of long-term care are being addressed with a view of improving the well-being of children and adults in need of care, as well as improving the labour market outcomes for women. The increasing share of non-standard workers and addressing their more limited access to social protection, in comparison with other workers, is also an area of increased policy focus.

Despite the Member States' efforts, the extent of the challenges related to the poverty and social exclusion situation in the reviewed Member States indicate that there is still room for improvement in the performance of the social protection systems. Demand for childcare and affordable social housing still outstrips the supply in a number of countries. Concerns regarding the provision of long-term care also remain valid, especially in light of the ageing population across Europe.

## **2. Reforms in the area of healthcare**

Access to adequate, affordable and quality healthcare, with an increased focus on prevention, is key to fostering a healthy and active population and achieving economic prosperity. At the same time population ageing and other factors, such as the high cost of innovative technologies and medicines, are putting an increased pressure not only on the ability to provide adequate healthcare for all, but also on the financial sustainability of health care systems. Increased efforts are thus required to improve the effectiveness and efficiency of the healthcare systems across Europe.

In 2017, 10 Member States have received CSRs in the area of health. For 5 member states the recommendations were related to the accessibility of healthcare, including the coverage by the public system, the affordability of care, waiting times, geographical distance, the role of primary care and the availability of qualified health workforce. For the remaining Member States, the focus has been on the sustainability and cost-effectiveness of their health systems. Most of the recommendations are the same as in previous years, thus indicating that many challenges in the area are of a structural nature and reforms take time to be implemented and to materialize.

The multilateral review of the CSRs' implementation, held together with the Council Working Party on Public Health at Senior Level, showed that all Member States are taking measures to address the recommendations. In most instances, the reform efforts are taking the form of multiannual and comprehensive Healthcare Programs and Strategies. In others, various legislative and non-legislative measures are being adopted with a view of improving the performance of the healthcare system and ensuring good health outcomes for the population

Improving the accessibility of healthcare has received particular focus in the Member States' reform efforts. Some Member States took steps to increase the health insurance coverage. Others introduced measures to address the issue of high out-of-pocket payments and to counter the problem with informal payments. A few also made effort to improve the availability and dissemination of information to encourage more healthy living habits and took steps to improve the transparency of the procedures to ensure more equal access to healthcare.

To address the sustainability and cost-effectiveness of their healthcare systems, several Member States reported on measures to ensure a better efficiency of spending, such as centralized procurement of medicines, medical devices and healthcare services; increased use of generic medicines; and a continued reform of primary health care. The reduction in hospital care and the shift towards primary care and prevention is seen as particularly important in ensuring the sustainable financing of the health systems.

Given the magnitude of the sustainability challenges and the importance of attaining universal and effective access to healthcare, the implementation of the initiated reforms will need to continue in a number of Member States. In addition, many of the announced reforms are still to be put in practice and their positive impact is yet to be attained. The number or the composition of the health workforce remains an issue of concern in a few Member States. The potentially avoidable consumption of costly hospital services remains high, partly due to the low effectiveness and availability of primary care services. Increasing the universal and equal access to health care, including through the improvement of health insurance coverage, as well as reducing further out-of-pocket payments emerge as particularly important, as they affects the accessibility of healthcare for people with low income.

### **3. Reforms in the area of pensions**

Pensions systems have been one of the areas with the most reforms in recent years across the EU. While spending on pensions represents the largest element in the social protection systems, pensions also affect the primary incomes of more people than any other component. Consequently, recent reforms have been driven by the need to strike a careful balance between the objectives of ensuring retirement income adequacy and preserving the financial sustainability of the pension system. Given the complexity of pension reforms and the involvement of social partners in the negotiation process, reforms are more often being implemented in the context of a multiannual cycle.

In 2017, 9 Member States received CSRs in the area of pensions. Five Member States shared the challenge of containing pension expenditure in the long run, as their societies are ageing. For some of those, the challenge is also to ensure adequate old-age income. The challenges in the remaining four member states are related to achieving equality between men and women in accessing and accruing pension rights; achieving inter-generational fairness; as well as avoiding unequal treatment of different professional groups that affects both the sustainability of the pension system and its adequacy.

All Member States with a Council Recommendation have taken certain measures to reduce the sustainability risks of the pension systems. Those measures include steps to increase the statutory retirement age and in some instances to link it to the evolution of the life expectancy; measures to reduce the gap between the effective retirement and statutory retirement age and to restrict access to early retirement. Changes in pension indexation have also been introduced in a few Member States, with a view of addressing the adequacy issue.

Despite the measures taken, further efforts will be needed to address the challenges confronted by the pension systems in the reviewed Member States. Although the duration of working life is increasing, and this growth is projected to continue in the decades to come, keeping up with the projected life expectancy gains poses concerns with regards to the long-term sustainability of the pension systems. To ensure that all women and men have adequate incomes in old age, it will be essential to balance sustainability with adequacy concerns and supplement those with measures conductive to longer professional activity and later withdrawal from the labour market as well as equal conditions for accruing pension rights.

## Part II

### The 2018 CSRs package

In line with previous years, the 2018 CSR package reflects well the efforts to streamline the European Semester with the publication of fewer, but more focused Country Specific Recommendations. The decreased number of CSRs, from 78 in 2017 to 72 in 2018, provides a greater emphasis and clarity on the reform priorities across Europe.

The SPC welcomes the increased awareness of the social objectives in the Semester, as despite the overall reduction in the number of recommendations, a higher number of those address social, employment or health-related issues. The stronger emphasis on social policy priorities continues the trend towards a more balanced consideration of economic and social objectives in the European Semester.

The SPC also welcomes the recognition that despite the on-going economic recovery, worrying socioeconomic developments such as the increasing depth and persistence of poverty, child and in-work poverty, high income inequality, low impact of social transfers on poverty, limited access to social services persist or even increase across the EU. The continued favorable evolution in the economic circumstances across the EU provides an opportunity to enhance further the reforms in the social area and to address these developments.

With 15 recommendations addressing pensions and older workers, reforms of the **pension systems** remain a major focus of the CSRs in the area of social protection. In line with previous years, the emphasis on sustainability-related pension reforms remains strong. The SPC recognizes the importance of the long-term fiscal sustainability of the pension systems. Yet, in the 2018 Pension Adequacy Report, the SPC has stressed that a holistic reflection on the adequacy of old-age incomes and the financial sustainability of pension systems is required to ensure effective policy reforms. Given the persistently high gender gap in pensions, pension adequacy for both men and women remains an important challenge, as well.

The 2018 CSRs also put a stronger focus on reforms in the area of **healthcare**, with an increasing number of Member States receiving such recommendations (12 in 2018, compared to 10 in 2017). The SPC welcomes this increased attention and notes that the reform recommendations continue to focus on sustainability and efficiency, and to a lesser degree on adequacy and access. The importance of prevention or health promotion can also be better reflected in the package, as in 2018 there is only one related CSR. The SPC notes that there are few CSRs related to the provision of **long-term care**. In light of the ageing European populations, access to adequate, affordable and quality long-term care, with an increasing focus on preventing the need for it, should be a priority reform area.

The area of **social protection and social inclusion** remains an important element in the 2018 CSR package, with 11 Member States receiving related recommendations. With poverty and inequality concerns well reflected in the Country Reports, the focus in the CSRs remains on effectiveness of social protection schemes, including the coverage and adequacy of benefits, and their link with activation. The SPC recognizes that the policy recommendations in that area have the potential to achieve objectives related to the reduction of and protection against poverty. The SPC notes that recommendations on reforms to address in-work poverty and child poverty, key social challenges highlighted in the SPC Annual Report, can be strengthened. While well covered in the country reports, the situation of children is mostly covered in relations to the labour-market status of their parents, with only one Country Specific Recommendation related to family support measures. In-work poverty is only partially addressed: while it is considered in the recitals accompanying the CSRs of several member states, only some countries received recommendations, which if implemented, may a positive effect on the issue. The SPC also recognizes that despite the lack of CSRs related to homelessness and extreme poverty, the country reports contain references on the necessity to increase the supply of social housing in some countries.

As in previous years, a significant number of CSRs in the areas of social protection and social inclusion have been issued as MIP recommendations. As the SPC has reported to the Council during the previous Semesters, the current MIP legislation (the 'six pack') does not include policy areas and indicators related to pensions, health, long-term care and poverty reduction issues in the scope of the MIP. Similarly, a number of structural reforms related to pensions and health are recommended under the Stability and Growth Pact (SGP). The SPC reiterates that all issues within the competence of employment, social affairs and health ministers are to be decided in the EPSCO Council in order to support coherence, ownership and implementation.

## Part III

### Governance aspects of the 2018 European Semester process

The SPC recognizes that the 2018 process has been influenced by the priorities set out in the European Pillar of Social Rights. The SPC considers that the existing monitoring tools<sup>3</sup> should continue to be used alongside the Social Scoreboard and support the analysis of the key social challenges throughout the Semester.

In previous years, allowing sufficient time to study the Semester documents has proven to be essential in ensuring a deeper multilateral surveillance by the Council and its Committees. In 2018, the timeframe between the release of the Semester Country Reports and the scheduling of the Committee review session did not provide the opportunity for the Member States to prepare for a discussion in a genuinely multilateral way. This should be avoided in future.

The bilateral consultation with Member States on the drafts of the Commission Country reports is welcome to build a better understanding of the assessment, related challenges and policy efforts between Member States and the Commission. It also has the potential to contribute to stronger national ownership of CSRs, which is critical for the success of the Semester. SPC underlines the importance of recitals and CSRs being well underpinned by the analysis in the Country Reports.

The joint meeting of EPC, EMCO and SPC proved to be an effective way for the discussion of a number of CSRs of a cross-cutting nature and ensured a coordinated preparation of the CSRs adoption by the two responsible Council formations - EPSCO and ECOFIN.

Involvement of social partners and consultation with civil society remain key for the successful implementation of policy reforms. The SPC held an exchange of views with EU-level social partners and social NGOs on the findings of its multilateral CSR implementation reviews and the new 2018 CSR package, resulting in a constructive and substance-based dialogue on the main direction of social protection reforms, which was considered in the preparation of this opinion.

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<sup>3</sup> Joint Assessment Framework (JAF) and the dashboards included in the Employment Performance Monitor (EPM) and the Social Protection Performance Monitor (SPPM).

Looking forward, it is worth underlining that the way SPC currently works on the Semester has evolved since it was introduced. It continues to draw on the Europe 2020 framework to a certain degree. With the end of the Europe 2020 time period approaching, SPC will need to consider how and when the Europe 2020 work can be most effectively evaluated, and any implications which the ending of that strategy have for its future work. In particular, a stock-taking exercise of the current range of analytical and statistical tools is worthwhile. There will be a first discussion of this at the SPC meeting in Vienna in September 2018.

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