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From: Presidency  
To: Permanent Representatives Committee/Council  
Subject: European Semester 2018  
- Policy debate

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Delegations will find attached a note from the Presidency outlining the context for the policy debate and providing guidance, plus a set of questions for discussion by Ministers at the EPSCO Council on 21 June 2018.

# European Semester 2018

## Policy debate

### *Presidency steering note*

EPSCO 21 June 2018

#### **THE TIME FOR REFORM IS NOW**

The European economy has picked up again and is growing faster than in any of the last ten years. The number of employed persons is higher than ever and the unemployment rate is approaching the pre-crisis level. These times of economic expansion offer a unique opportunity for building the solid foundations for inclusive and sustainable growth for the years to come. This is the time to address remaining employment and social challenges and to strengthen the resilience of our economies so that they can better withstand any future shocks. As part of this reform agenda, the capacity of Member States to provide social protection is crucial, both in terms of automatic stabilisation during economic downturn and for achieving inclusive growth. Thus the time for reform is now, as sizeable challenges persist:

Inequality has widened in our societies. The benefits of economic growth need to reach the entire population to an equal degree. The Europe 2020 target of reducing poverty by lifting at least 20 million people out of the risk of poverty or social exclusion in the EU-27 is still very far from being reached<sup>1</sup>. In-work poverty has increased in recent years. The tide of economic recovery has not yet benefited all members of society. The low impact of social transfers on poverty reduction, limited access to social services and the relatively high tax wedge for low income earners contribute to income inequality and to inequality of opportunities.

Despite an overall good labour market performance, significant gaps persist in the labour market participation of different population groups. Efforts therefore need to be stepped up to ensure that everyone has access to the labour market and benefits from the recovery, including the low-skilled, the young, older people, persons with a migrant background and people with disabilities.

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<sup>1</sup> Between 2008 and 2016 (last data available) the reduction was by fewer than one million people.

The gender gap in the employment rate and in pay levels continues to be high (resulting in an even greater gender pension gap), often caused by a lack of adequate care services for children and the elderly, by a lack of work-life balance opportunities or by disincentives to labour market participation that are embedded in the tax and benefit systems.

The EU institutions and the Member States have jointly engaged with the proclamation of the European Pillar of Social Rights on 17 November 2017 to drive forward reforms across the three dimensions of the Pillar: equal opportunities and access to the labour market, fair working conditions, and social protection and inclusion. There is thus a clear commitment and a shared sense of the need to implement reforms by taking advantage of the favourable economic climate.

## **THE SEMESTER PROCESS**

Now in the eighth year of its existence, the European Semester has become a routine exercise. All actors, Member States, the Commission and the Committees, which are doing a large part of the multilateral work, have actively contributed in recent years to making the process smoother. This is mirrored in the Communication of the Commission on the 2018 Country-specific recommendations (doc 9217/18) and in the horizontal opinions of SPC and EMCO (doc 9331/18). However, the essential objective of the Semester remains to achieve impact on the ground.

The Commission has taken a number of measures to strengthen national ownership and foster implementation of the country-specific recommendations by formulating more relevant, targeted and time-bound recommendations built on robust analytical foundations, and enhancing opportunities for dialogue with Member States, social partners and other relevant stakeholders. However the implementation rate still falls below expectations.

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

1. *Do you see the European Semester as a factor in helping your domestic reform agenda? Does it still play a role in achieving the Europe 2020 employment and social targets?*
  2. *How could the involvement of Member States, and in particular the competent Ministers, in the Semester process be strengthened on a practical level in order to improve the implementation of the country-specific recommendations? What steps could the Commission take to further enhance engagement with key stakeholders?*
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