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From: Presidency
To: Permanent Representatives Committee/Council

Subject: European Semester 2020
- Policy debate

Delegations will find attached a discussion paper prepared by the Presidency, in preparation of the policy debate at the EPSCO Council on 19 March 2020.

"The European Semester in the context of social fairness and sustainability"

European Semester 2020 - Policy debate

EPSCO Council, 19 March 2020

A sustainable and inclusive growth: future objectives in a changing world

The Annual Sustainable Growth Strategy 2020, adopted on 17 December 2019, strives for economic growth that works for the people and for the planet. In order to ensure a sustainable and inclusive growth in the European Union, four dimensions should be taken into consideration: environmental sustainability, increased productivity, macro-economic stability, and fairness.

The Council Strategic Agenda 2019-2024 and European Green Deal put forward the ambition of the EU becoming the first climate-neutral continent by 2050. This requires a profound transformation of the current labour market: new jobs could be created while others might disappear, with corresponding distributional and social impacts at both national and European level.

Europe's future income and employment growth will depend crucially on higher productivity and innovation. This will require increased investment in digital and green technologies: the EU and its Member States should invest in people's skills and innovation. Evidence shows that the best performing EU firms are those that invest the most in workers' training and high-quality working conditions.

Digital, environmental and demographic transitions

Economic growth is also continuing this year, albeit at a slower pace, improving employment and social outcomes across Europe. However, many differences across Member States and regions persist, while the risks posed by a growing social divide and demographic challenges need to be tackled.

New technologies will generate new job opportunities and allow for more flexible work arrangements, but could also have an impact on social protection and care systems. On the other hand, the environmental transition could affect lower and middle-income households already at greater risk of poverty. Distributional effects will therefore need to be accounted for in the design of appropriate policy responses to mitigate these impacts. In this context, in order to properly manage these transitions and further strengthen its labour and social performances, the European Union should fully deliver on the principles of the European Pillar of Social Rights.

The future of the European Semester as a tool for driving the transitions

The European Semester provides a framework for the coordination and monitoring of labour and social policies in the European Union, while taking into account national and regional specificities. At the same time, it is a tool for helping Member States detect and address priorities for structural change. As such, it can also be helpful in creating support for people, sectors and regions that are expected to be the most affected by the ongoing changes, in order to ensure just and fair transitions.

An appropriate balance between active labour market policies and adequate levels of social protection is needed, including a flexible set of measures in accordance with Member States' specific socio-economic conditions. It could be necessary to identify new ways of promoting secure and flexible employment, combined with adequate support, while seeking to avoid labour market segmentation and ensuring protection against social risks. In this context, promoting effective work-life balance policies, access to affordable and quality childcare and long-term care and tackling tax and benefit disincentives to work are crucial.

This year's Country Reports are intended to assess the progress towards the SDGs in each Member State. In addition, the 2020 Annual Sustainable Growth Strategy includes a new section on environmental sustainability, in order to evaluate the impact of the environmental transition on the employment and social fields.

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

1. What actions could be taken in the context of the European Semester in order to better link it with the implementation of the principles set out in the European Pillar of Social Rights and with the UN SDGs?
2. Which reforms can be prioritised in the European Semester in order to effectively harness the opportunities and tackle the challenges of the digital, environmental and demographic transitions while ensuring social fairness?