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NOTE

From:	Employment Committee and Social Protection Committee
To:	Permanent Representatives Committee/Council
Subject:	Medium-Term Fiscal-Structural Plans: Letter from the Chairs of the Employment Committee and the Social Protection Committee <i>- Presentation by the respective chairs</i>

Delegations will find attached a letter from the chairs of the Employment Committee and the Social Protection Committee on the employment and social aspects of the medium-term fiscal and structural plans of the Member States, to be presented at the Council (EPSCO) on 10 March 2025.



Dear President, dear Ministers,

In line with their responsibilities under the European Semester, following the entering into force of *Regulation (EU) 2024/1263 on the effective coordination of economic policies*, the Employment Committee (EMCO) and the Social Protection Committee (SPC) have held two exchanges of views - on 9 December 2024 and 23 January 2025 - to discuss the employment and social aspects of the new *Medium-Term Fiscal-Structural Plans* submitted so far by the Member States. On both occasions, the Committees also contributed to the preparation of the related Council recommendations endorsing the plans, in cooperation with the ECOFIN *filière*.

As you are aware, the plans form the cornerstone of the new EU economic governance framework, setting out for each Member State its fiscal adjustment path as well as priority public investments and reforms aimed at ensuring fiscal sustainability and fostering inclusive and sustainable economic growth. During our exchanges, delegations from the 22 Member States that had submitted a plan were invited to: (i.) highlight the reforms and investments included in the plan to address employment, skills, and social challenges; (ii.) explain the rationale for their inclusion; and (iii.) indicate the extent of social partners' involvement in both the preparation of the plans and the measures they contain. Delegations were also encouraged to submit written questions on other Member States' plans. The key takeaways from these discussions are as follows:

- i. First, EMCO and SPC welcomed the very strong employment and social focus of the plans, in line with the requirement to address past country-specific recommendations (CSRs) and the common priorities of the Union, including the European Pillar of Social Rights. All the 22 plans submitted so far contain measures to strengthen active labour market policies, work incentives, and education and skills development. This is consistent with the crucial need to enhance the competitiveness of the Union by addressing the high levels of labour and skills shortages, increasing the labour market participation particularly of underrepresented groups, and improving significantly educational and adult learning outcomes. Nearly all plans also include measures to reduce poverty and social exclusion risks, as well as to improve access to housing and healthcare, in line with the social priorities identified in recent European Semester cycles.
- ii. Secondly, in the five Member States that requested an extension of their fiscal adjustment path, most of the justifying measures pertain to the remit of the EPSCO *filière*. These include reforms to boost labour market participation (including through improved childcare services), address skills mismatches, and enhance social inclusion and social protection systems, either to promote labour market activation or to strengthen safeguards against social risks. In such cases, the inclusion of these measures was motivated by their expected positive impact on economic growth and fiscal sustainability, consistently with the intense

policy discussions held by our Committees and the Council in 2023 and 2024 on the potential of social investment policies.

- iii. While the first round of plans did not require a mandatory consultation of social partners, civil society organisations, and other relevant stakeholders due to time constraints, most plans indicate that stakeholders were involved to various degrees and formats. During our exchanges, delegations explained that, in most cases, social partners were consulted either on an advanced draft of the plan or on specific key measures deemed particularly relevant.
- iv. Given the substantial employment and social dimensions of the plans and their significance within the EU economic governance framework, EMCO and SPC called for a stronger involvement of the EPSCO *filière*. The Committees expressed concerns that the broad scope of the plans could risk diluting the relevance of the Treaty-based provisions for the coordination of employment and social policies at EU level, if the plans are not designed in accordance with, *inter alia*, the forward-looking guidance agreed via the Employment Guidelines. To prevent this and ensure a truly integrated policymaking approach, both the development of the plans at the national level and their scrutiny at the EU level require deeper and more structured cooperation among ministries and Council *filières*. In this context, EMCO and SPC regretted the diversity of national practices applied in the preparatory phase of the plans and that the traditional European Semester practices were not followed when preparing the Council recommendations endorsing the plans.
- v. Finally, some delegations raised concerns regarding the approach taken by the Commission to propose Council recommendations. In particular, they highlighted that the limited scope for Council amendments raises questions about the ownership of the final texts.

Looking ahead, it will be essential for all Member States that have submitted a plan to report comprehensively on its implementation through the Annual Progress Reports due by 30 April 2025. These reports should include updates on the measures taken to implement the principles of the European Pillar of Social Rights and the related CSRs. In this context, EMCO and SPC remain committed to supporting the Council in the multilateral surveillance of the plans and the preparation of related Council proceedings, in line with their mandate under the European Semester.

With our best wishes,



Emiliano Rustichelli

Chair of the Employment Committee



Rute Guerra

Chair of the Social Protection Committee