



**COUNCIL OF
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UEM 210
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RECH 244
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NOTE

from:	Council (EPSCO)
to:	Council of the General Affairs
No. prev. doc. :	11657/11 SOC 574 ECOFIN 430 UEM 204 COMPET 325 ENV 546 EDUC 204 RECH 241 ENER 244
No. Cion prop.:	10954/11 UEM 131 ECOFIN 304 SOC 454 COMPET 221 ENV 414 EDUC 112 RECH 142 ENER 140
Subject:	Recommendations for Council recommendations on the National Reform Programmes 2011 to each Member State - General approach (employment aspects)

On June 17, the EPSCO Council held a policy debate on the Country Specific Recommendations in the context of the implementation of the Europe 2020 Strategy. The Council reached a general approach on the employment aspects of the Council Recommendations as outlined in doc. 11657/11.

A number of delegations (BG, CZ, ES, LT and PL) could lift their reservations during the session on the basis of the solutions found¹. However, three delegations maintained the reservations on their recommendations, more specifically:

1. Cyprus lifted its reservation on Recommendation (3). The compromise text reads as follows:

*" For pensions, extend years of contribution, link retirement age with life expectancy, **or adopt other measures with an equivalent budgetary effect**, while taking care to address"*

However, Cyprus maintained its reservation on recommendation (4), for which it requested the following wording:

"Re-examine with a view to reform in consultation with the social partners and in accordance with national practices, the system of wage bargaining and wage indexation to ensure that wage growth takes into account, inter alia, developments in labour productivity and competitiveness."

2. Belgium maintained its reservation on Recital 18, for which it requested the following wording:

"In the light of this assessment, also taking into account the Council Recommendation of 2 December 2009 under Article 126(7) of the Treaty on the Functioning of the European Union, the Council has examined the 2011 update of the Stability Programme of Belgium and its opinion² is reflected in particular in its recommendation under (1) and (2) below, the latter being also covered by Articles 121 and 148 TFEU."

¹ These results will be circulated separately. The title of the Portuguese recommendation has been corrected.

² Foreseen in Article 5 (3) of Council Regulation (EC) No 1466/97.

Belgium also maintained its reservation on Recommendation (2), for which it requested the following wording:

"Take steps to improve the long-term sustainability of public finances. In line with the framework of the three-pronged EU strategy, the focus should be put on curbing age-related expenditure, notably by preventing early exit from the labour market in order to markedly increase the effective retirement age, such as by linking it to life expectancy."

3. Malta maintained its reservations on the proposed language for Recommendation 4 (wages) and the recitals related thereto.

Malta could not accept the text of the Commission proposal for Recommendation 4, since the Maltese system does not include an indexation of wages but only of the basic wage. Malta has argued that the recommendation has not been backed by technical evidence which clearly identifies that the partial wage indexation measure in Malta, that is, the Cost of Living Allowance, as a mechanism leading to any excess of growth in wages relative to productivity and therefore in need of reform.

Malta proposed the following rewording and expressed hope that the Council reaches agreement on Recommendation 4 on the following text:

"Review and, where necessary reform, [...] in consultation with the social partners in accordance with national practice the wage indexation mechanism to ensure that wage growth better reflects developments in labour productivity and competitiveness."

Based on the same arguments, Malta proposed to amend the corresponding Recitals 13 and 15 and has a reservation on the language. The recitals should read as follows:

- "13. Malta is one of the few EU Member States with a [...] wage indexation mechanism. Wage increases are linked to a mandatory cost-of-living adjustment (COLA) mechanism, resulting in wage increases in line with past inflation developments [...] at the [...] bottom end of the wage spectrum. Adding to the minimum wage, this adjustment may further hamper the competitiveness of the labour-intensive sectors. The issue is particularly pertinent in view of the recent increases in energy prices, which could lead to wage-price spirals.
15. Malta has made a number of commitments under the Euro Plus Pact. The commitments relate to two areas of the Pact: competitiveness and the sustainability of public finances. On the fiscal side, the commitments involve strengthening the accountability and transparency of the budgetary framework, together with consideration given to introducing mechanisms to increase discipline in budgetary execution. To address productivity, there are measures to improve the business environment and financing conditions for firms, as well as enhancing competition in services, especially in telecommunications. Although present in the National Reform Programme, the Euro Plus Pact commitments do not address employment and financial stability. [...] The Euro Plus Pact commitments have been assessed and taken into account in the recommendations."

Moreover, the United Kingdom maintained a parliamentary reservation.

In addition, some delegations took the view that all employment related parts of the Country Specific Recommendations, including the Stability and Growth Pact, should also have been examined by the EPSCO Council.

The Council agreed to transmit this outcome to the General Affairs Council, in view of the European Council on 23 -24 June. This outcome is also sent to the ECOFIN Council for information.