



**COUNCIL OF
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NOTE

from: The Presidency
to: Permanent Representatives Committee (Part I) / Council (EPSCO)
Subject: European Semester 2013/Contribution to the European Council (28-29 June 2013)
- Policy debate

Delegations will find attached a note from the Presidency outlining the context for the policy debate and providing guidance with a set of questions for discussion by Ministers at the EPSCO Council on 20 June 2013.

European Semester 2013 - Country Specific Recommendations
Policy debate at the EPSCO Council, 20 June 2013

Presidency steering note

Context

In recent months, the EU has been moving from crisis management and restoring financial stability to engaging in reforms which are necessary in order to restore competitiveness and get public finances under control. This process takes place in a context of protracted recession, high unemployment levels, most particularly for the young, and rising poverty and inequalities which put the whole social fabric at stake.

While the situation in Member States varies, this continued worrying trend is apparent in a majority of the Member States where unemployment is foreseen to rise further and remain at a very high level until 2014.

The challenges the Union is facing in finding a more sustainable growth path are complex and require a comprehensive and balanced policy mix. Conditions need to be put in place that will, at the same time, favour investment by companies and create employment, improve the efficiency of public expenditure and ensure the effectiveness of welfare systems.

The continuing general low level of demand for labour in the economy means that the negative effects of the banking and debt crisis are now bearing down on enterprises, workers and families. Without a return to strong economic growth and the normalisation of credit flows, the labour market situation is unlikely to improve significantly in the short-term.

Advancing further labour market reforms may become problematic as it is increasingly difficult to push them through in the current conditions. The scale of the challenges, as well as the time needed for the positive effects of reforms to show results, nonetheless makes it essential to tackle them effectively and urgently. Delays in dealing with the necessary adjustments will only increase their ultimate financial, economic and social costs, and ultimately the political price to be paid.

In this context, the 2013 European Semester exercise is especially important since it drives the debate on the level of ambition that individual Member States can achieve having regard to their national circumstances and encompasses the whole range of areas where decisive action is necessary.

In the light of the experience gained in the two previous European Semesters, a broad level of mutual understanding now exists between the Member States and the Commission on what needs to be done in the coming 12 to 18 months. It is therefore essential that the political focus moves from the process of confirming CSRs to the real challenges faced in implementing them.

Most Member States are pushing forward with difficult and painful reforms with the objective to move out of the crisis and to tackle existing structural difficulties that have been exacerbated by the crisis.

However, structural reforms and adjustments take time and it is clear that they need to be implemented with great care in order not to damage other goals and to maintain social acceptability. In this process a thorough and all-encompassing analysis of shortfalls and underperformance is required. The annual recommendations can play a more effective role in guiding Member States' policies.

It has become clear that the European Semester exercise should be rebalanced in terms of timing in order to allow the Council preparatory bodies to prepare the Council formations in a genuine multilateral way. This would ensure better public acceptance and ownership of policy recommendations at national level.

In preparing the recommendations, account should also be taken of the efforts already deployed at national level and of the need to concentrate the recommendations on the desired outcomes while leaving discretionary scope for governments and social partners to negotiate the details of the reforms. Furthermore, increased use of qualitative and quantitative tools and statistical data may also help making the employment and social aspects of the joint EU endeavours for economic recovery more balanced and visible. National decision making practices and competencies are also a critical factor to be taken into account in framing CSRs in the context of preparing a joint input for the European Council.

Moreover, while preparations of the CSRs package have run smoothly, some improvements are still desirable. This relates, in particular, to labour market related CSRs issued under the Macroeconomic Imbalances Procedure (MIP) which were dealt in full cooperation with the Economic Policy Committee (EPC). It is clear that there has been some unease among delegations about the bundling of MIP and non-MIP relevant recommendations on labour market policies in the same CSR. Looking forward, it would therefore be more convenient to identify the relevant issues more clearly in the CSRs to facilitate the division of responsibilities and the smooth handling of discussions at all levels.

The Employment and Social Protection Committees have played a key role in preparing the package of CSRs and in working closely with the EPC and the Education Committee this year.

In addition to the individual set of CSRs for each Member State, EMCO and SPC have prepared valuable contributions for our debate.

On this basis, and in order to focus the debate, Ministers are invited to reflect on the questions prepared by the Presidency – drawing inspiration from their own experience and objectives as outlined in their National Job Plans and their assessment of how the Country-specific Recommendations are responding to the challenges ahead.

Question 1:

From the lessons learned in the previous years, how can the European Semester exercise enhance the national reform process by promoting greater coherence and synergies across the various policy areas ?

Question 2:

What additional aspects need to be taken into account in order to enhance the ownership in the implementation of the recommendations e.g. on horizontal issues, employment related measures on combating unemployment (including improving the effectiveness of Public Employment Services and providing the necessary resources in the framework of the new ESF programming period), pensions, health and long-term care and social inclusion? How can interaction with Social Partners and other stakeholders be advanced at national level?

Question 3:

How might different reforms in the economic, employment/labour market and social field be effectively combined or sequenced? Is it preferable that structural reforms in the product and service markets be pursued simultaneously so as to complement labour market reforms?

Ministers are asked to keep their initial intervention/reaction to three minutes.
