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NOTE

From:	Presidency
To:	Permanent Representatives Committee/Council
Subject:	European Semester 2019

Delegations will find attached the Presidency steering note for the policy debate on the 2019 European Semester package at the EPSCO Council on 6 December 2018.

SOCIO-ECONOMIC CONTEXT

The employment and social situation is continuing to improve. Economic growth facilitated job creation and employment has reached a record level in the EU. The EU is well on track to reach the Europe 2020 target of a 75% employment rate in 2020. However, disparities in employment rates across the EU also suggest that challenges persist, in particular for those Member States most affected by the crisis. Despite a decreasing trend, youth and long-term unemployment rates are still high in some Member States, and gender employment gaps remain wide. The employment rate of low skilled people is currently almost 30 percentage points below that of people with higher education.

The share of people at-risk-of poverty or social exclusion decreased markedly and is below pre-crisis levels. However, the efforts must be increased in order to reach the Europe 2020 target on reducing poverty and social exclusion. Policies should target in particular vulnerable people such as children, people with disabilities and people with a migrant background.

The European Semester for economic policy coordination continues to stimulate reforms at national level, while implementation of reforms and national ownership play a vital role.

AUTUMN PACKAGE

In its **2019 Autumn Package** the Commission has put emphasis on monitoring the performance of Member States within the framework of the European Pillar of Social Rights, incorporated already in the 2018 Semester exercise. The draft Joint Employment Report (JER) includes the findings of the Social Scoreboard, which demonstrates that Member States are making progress on key dimensions of the Pillar. Still, the economic recovery is not yet benefitting all citizens. Challenges with regard to specific principles of the Pillar include digital skills, wage convergence, job quality, sustainability and adequacy of pensions, long-term care, housing.

It is now time for Member States to **step up reforms** of labour markets and social protection systems, thus fostering convergence towards better living and working conditions in the EU.

The **world of work is changing rapidly** due to new technologies, global competition and demographic change. Data suggests that already today some 2% of workers earn half or more of their income in the gig economy. It is not clear whether they are contributing to social protection. This increases the sustainability challenges of pension, healthcare and long-term care systems already under strain due to demographic developments. Therefore, measures to improve financial sustainability and to ensure pension adequacy will become increasingly important.

As highlighted by the **Annual Growth Survey**, reforms should make the EU **more inclusive** in a changing world of work. Supporting investment in strengthening human capital becomes a priority. With demographic change and new technologies Member States need to invest more effectively in **education, skills and life-long learning**, equipping people for quality jobs and also to spur further job creation and productivity. At the same time, it is crucial to prioritise investment in well-functioning active labour market policies and effective and inclusive **social protection systems**.

In 2019, the Commission intends to ensure stronger and **more effective links between the Semester and Union funding for 2021- 2027** period in line with its proposals for the new Multiannual Financial Framework. The objective is to ensure greater synergies and complementarity between the coordination of economic policies and the cohesion policy funds. To achieve this, the 2019 Semester will have a stronger focus on identifying and prioritising investment needs to guide upcoming programming decision. In this context, stepping up dialogue on national investment gaps will be crucial.

The timely and meaningful involvement of **social partners** is crucial for better design of reforms and increasing national ownership. A well-functioning social dialogue covering labour market, social and economic policies is a key element of the European social market economy. Similarly, the experience of **civil society organisations** plays an important role to ensure that reforms are designed and implemented effectively.

Against this background, Ministers are invited to present their views on the main elements of the 2019 European Semester Autumn package, with a particular focus on:

- *Whether the **main priorities** set out in the Autumn package, in particular in the Annual Growth Survey and draft Joint Employment Report, are adequate, and taking into account the challenges of changing labour markets and the impact on social protection schemes?*
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