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COVER NOTE

From:	The Presidency
To:	Permanent Representatives Committee (Part I) - Council (EPSCO)
Subject:	European Semester 2015: Contribution to the European Council (19-20 March 2015) - Policy Debate

Delegations will find attached a Presidency steering note on the above mentioned subject, with a view to the Council (EPSCO) meeting on 9 March 2015.

Presidency Steering Note

With 24 million unemployed, sluggish and uneven growth, growing divergences across and within countries and rising inequalities, the employment and social situation in the EU continues to be of serious concern. This makes it necessary to rethink some aspects of EU economic policy-making through a more integrated approach which takes into account a thorough analysis of the job-creation potential and employment and social consequences of the different macro-economic policies.

The Commission short-term forecast on economic growth will not be enough to deliver a noticeable improvement in the employment situation. In 2015, the unemployment rate is expected to fall to 9.8% in the EU and 11.2% in the euro area. These levels are still unacceptably high, and the situation is significantly worse in a number of Member States. As well, youth unemployment is still much too high and half of all unemployed have been out of work for more than a year. On the other hand, there are timid positive signs in some Member States that labour market reforms will contribute to decreasing unemployment rates further in 2016.

The **2015 Annual Growth Survey¹ (AGS)** recommends to build an integrated approach for the EU's economic and social policy with three main pillars:

- (i) a coordinated boost to investment;
- (ii) a renewed commitment to structural reforms;
- (iii) pursuing fiscal responsibility.

¹ 15985/14.

The AGS proposes a streamlining of the European Semester to support this integrated approach. Coordination of all policies related to investment and employment, supporting inclusive growth, is required for enhancing labour market and social outcomes in the short and long term.

The new, integrated assessment of the European Commission can provide an enhanced analytical basis for multilateral peer reviews on the reforms undertaken, their results and the possible ways forward.

The Country Reports demonstrate a varied degree of action by Member States to address the issues identified in the CSRs, with an overall first analysis signalling a positive trend. In a context of low inflation and low demand, the assessment calls for boosting investment and for Member States to carry out structural reforms and continue to consolidate public finances.

Technological transitions have so far brought about greater job creation than job destruction. The opportunities offered by digital technologies need to be seized. Investments in these can prove crucial to increase the productivity and to create more and quality jobs. While individual workers may suffer, new productive processes and methods can be found for the workforce as a whole. In the long-run, structural change should be embraced as an opportunity implying that reforms need to ensure economic sustainability and stability in employment and social conditions. It should be ensured that structural change is widely approved and that costs are fairly distributed across the population. Therefore, accompanying measures are indispensable to achieve smooth transitions, particularly as regards employment and social aspects.

In this context, investment in measures to improve workers' skills will be required to support them in remaining attached to the labour market. Intensified and targeted support should be provided in particular to those groups at greater risk, such as the long-term unemployed, older and younger workers, to ensure that labour markets remain inclusive.

The European Semester should continue to be the vehicle for pursuing the modernisation of labour markets and social protection systems and social partners should be involved in the process. There is also a need to better monitor social progress and the impact of reforms over time. Work has already started to reinforce the social dimension of the Economic and Monetary Union.

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

1. *Does the new 3-pillar approach (investment, structural reforms and fiscal responsibility) of the 2015 AGS sufficiently cover the employment and social aspects?*
2. *What measures need to be pursued in order to ensure that working careers better adapt to new requirements, including technological change and ageing and to ensure well-functioning and inclusive labour markets and high levels of employment?*
3. *What is the scope for Member States to learn from each other and provide advice to each other? What should be the role of the integrated assessment of the European Commission? What can and should be done to better involve other actors, including social partners, in the process?*
