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From: Presidency
To: Permanent Representatives Committee/Council

Subject: Horizontal Social and Employment Aspects of the European Semester
2019
- Policy debate

Delegations will find attached a steering note from the Presidency outlining the context for the policy debate and providing guidance, plus a set of questions for discussion by Ministers at the EPSCO Council on 13 June 2019.

EPSCO, 13 June 2019

The Semester cycle: a compass for sustainable and inclusive growth in Europe

The 2019 European Semester package confirms that the European Union is continuing to experience economic and employment growth. At the end of 2018, more than 230 million people were in employment in the EU and the unemployment rate continues to decline, now lying well below the pre-crisis level. Also, having reached 73.1% in 2018, it is likely that the employment rate will come close to the Europe 2020 employment target of 75%.

At the same time, the number of people at risk of poverty or social exclusion is declining. By the end of 2017 there were 4.2 million fewer people at risk of poverty or social exclusion than in 2008. Although the road to the Europe 2020 target of 20 million fewer in poverty or social exclusion is still long, progress towards the target has been made and the situation seems to be improving fast.

However, not all Member States benefit equally from these positive trends.

The European Semester has a central role in coordinating and monitoring economic and social policies in the European Union and helping the Member States achieve the targets set out in the Europe 2020 Strategy. Under the European Semester, structural reforms have supported inclusive growth and employment, while facilitating the reduction of macro-economic imbalances. The mainstreaming of the European Pillar of Social Rights in the European Semester since 2018 could further support this process, fostering upward convergence towards better living and working conditions.

The adoption of the 2019 Annual Growth Survey (AGS) marked the starting point of the current European Semester cycle. The priorities set out in the AGS are closely interconnected and mutually reinforced, underpinning the need for an integrated approach at national and EU level, in order to ensure inclusive growth and sustainable economic development, improving the overall socio-economic situation. There has also been a special focus on the need for investment based on the specific situation at national and regional level.

Europe 2020 Strategy: the current decade's targets for smart, sustainable and inclusive growth.

The Europe 2020 strategy set ambitious targets in the areas of employment, research and development, climate change and energy, education, poverty and social exclusion.

Success in achieving these targets has been mixed. The employment rate target of 75 % may be within reach by 2020. Progress has clearly been made in the social situation; however, as mentioned above, meeting the target of lifting 20 million people out of the risk of poverty or social exclusion remains challenging, and the final outcome in this area will be affected by the overall economic outlook.

Although the EU 2020 targets cover different fields, they are all interconnected. Access to quality education and training is key to enabling people to integrate in the labour market. At the same time, the Europe 2020 research and development target is closely related to the educational and employment goals. On the one hand, research and development can lead to job creation and boost employability and productivity by providing the necessary skills and technologies; on the other hand, new technologies could also trigger further societal changes and transformations in the labour market.

The European Semester, while monitoring progress towards the EU 2020 targets, also provides a framework for analysing and ensuring the strong link between them. This will continue to be an essential element in coordinating social and labour policy reforms.

The way ahead: social and labour policies as key elements in the European Semester process

Each year, Member States commit to implementing structural reforms aimed at creating favourable conditions for fostering labour market participation, promoting up-skilling and reskilling initiatives, and ensuring social and economic inclusion of all.

Recent employment growth has been driven mostly by women and older workers, but there remain gaps in their employment rates compared to the average. At the same time, in-work poverty is high and rising in several Member States and high levels of income inequality persist. The risk of poverty or social exclusion remains a challenge in particular for low-skilled workers, children, people with disabilities and people with a migrant background. It is therefore important that social and labour market challenges continue to remain at the core of the European Semester, and to be addressed in line with the Employment Guidelines and the European Pillar of Social Rights. Ensuring that all citizens benefit equally from the positive economic trends would strengthen the sustainability of the economy, foster trust in the European Union and widen the support for the common European values.

European Semester: a useful guiding tool for future European policy coordination

Country Specific Recommendations (CSRs) address the main economic, social and employment challenges, their implementation being at the heart of the European Semester process. The implementation rates improve over the years, since reforms usually take time to come into effect. Hence, only 30% of 2011-2018 CSRs registered no or limited progress, while 26% of them had been fully or substantially implemented. By further improving the implementation of reforms, the European Semester can become an even stronger policy coordination tool across the European Union, contributing to increased cohesion between Member States and an overall improved EU performance.

It is therefore essential to make efforts to enhance implementation rates of the CSRs through sharing experience of common challenges and best practice for dealing with them, as well as through effective monitoring of developments and strengthened dialogue at all stages with social partners and other stakeholders at both national and EU level. Moreover, it is essential to support the reform efforts through appropriate financing, by making effective use of structural funds, notably the ESF and ESF+.

Against this backdrop, and with a view to providing input to the European Council, ministers are invited to address the following questions:

1. *Is the European Semester an effective tool for ensuring that Member States improve their employment and social performance in a coordinated manner, including by achieving the Europe 2020 targets?*
 2. *How could the Semester process be further adjusted to enhance its social dimension, including by ensuring that social considerations are properly taken into account in other policy areas?*
 3. *Through which measures could Member States increase ownership of the European Semester process in order to enhance the effective and coordinated implementation of the CSRs and national reforms?*
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