

# Resolution on Europe 2020

2010/3013(RSP) - 14/02/2011

The Council adopted conclusions on the EU 2020 strategy: macroeconomic and fiscal guidance to the Member States. It agreed to submit them to the European Council with a view to its meeting on 24 and 25 March 2011.

**Launching the European Semester:** the Council welcomes the Commission's first Annual Growth Survey marking the start of the European semester for economic policy coordination; **a more integrated macroeconomic and macro-structural surveillance**; and advancing the EU's comprehensive response to the economic and financial crisis, both at Member State and EU level.

The Council reaffirms that the most urgent task for the EU is to restore confidence by preventing a vicious cycle of unsustainable debt, disruption of financial market and low economic growth, through ensuring sustainability of public finance, correcting harmful macro-economic imbalances, advancing financial repair and boosting potential economic growth.

In the context of more integrated country surveillance under the European Semester, the Council emphasises that the main focus of Stability and Convergence Programmes and National Reform Programmes for the period 2011/2012 (to be submitted preferably by mid-April or end April at the latest) should be on implementing rigorous fiscal consolidation, promoting employment growth and accelerating growth-enhancing structural reforms, taking into account country-specific situations.

The Member States are invited to present a comprehensive response with concrete, detailed and ambitious measures to both fiscal and macro-structural challenges, including bottlenecks to growth, in their Stability or Convergence Programmes and National Reform Programmes. The Council underlines that public acceptance of budgetary consolidation and major structural reforms is key: to this end, it is important to take distributional effects into account.

**Implementing a rigorous fiscal consolidation:** it is of utmost importance for all Member States to ensure **government debt sustainability**, not least through announcing and implementing credible and detailed consolidation plans, in addition to pension, health care and labour market reforms.

Member States facing very large structural budget deficits or very high or rapidly increasing levels of public debt, fiscal consolidation should be frontloaded.

The Council calls on Member States to present in their forthcoming Stability and Convergence Programmes concrete multi-annual consolidation plans including specific deficit, revenue and expenditure targets and the strategy envisaged to reach these targets.

**Correcting macro economic imbalances:** Member States with large current account deficits and - high levels of indebtedness - both public and/or private - should present concrete policy measures to address these imbalances in their forthcoming National Reform Programmes and, where appropriate, also in Stability and Convergence Programmes.

To improve competitiveness, Member States need to promote labour cost developments consistent with local economic and labour market conditions, medium term productivity trends and the need to unwind existing imbalances. Rigidities which impede the competitiveness adjustment need to be removed.

The Council underlines that in Member States with large current account surpluses, policies should aim at identifying and implementing, where relevant, structural reforms that help strengthening domestic demand.

**Adopt growth and job-enhancing structural reforms:**

- fiscal consolidation should be accompanied by reforms aimed at ensuring sustainable and adequate **pension systems**, notably: (i) by increasing the effective retirement age and by better aligning retirement age and/or pension benefits to changes in life expectancy; (ii) by reducing early retirement schemes which risk reducing the labour force; (iii) by promoting active labour market policies and life-long learning. While public pensions will continue to play an important role, private savings including second pillar schemes could provide a useful complement to enhance retirement incomes and should be encouraged;
- **labour market policies** should promote skills, create incentives to work and reduce labour market exclusion, in particular of vulnerable groups;
- where possible, **taxes should also be shifted away from labour** in order to stimulate labour utilisation and create conditions for growth;
- the **reallocation of labour across and within sectors** should be facilitated. The regimes for recognising professional qualifications should be simplified to facilitate the free movement of citizens and workers;
- it is necessary to **promote innovation capacity** and skills-upgrading, increasing capital investment including in infrastructure, ensuring an efficient regulatory business environment, administrative efficiency as well as promoting a higher degree of competition, particularly in some regulated sectors.

In general, **unemployment benefits** should be reviewed to ensure that they provide incentives to work while limiting long-term unemployment and the consequent losses in human capital during downturns.

The Council reaffirms the importance of **further deepening of the Single Market**. Focus should be given to promoting the well functioning and integration of markets, notably services markets (including financial markets); smart EU regulation; and EU's economic, social and territorial cohesion. The Services Directive should be implemented fully.