European semester for economic policy coordination: implementation of 2015 priorities

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The Committee on Economic and Monetary Affairs adopted the own-initiative report by Dariusz ROSATI (EPP, PL) on the European Semester for economic policy coordination: implementation of 2015 priorities.

The Committee on Budgets and the Committee on Employment and Social Affairs, exercising their prerogatives as associated committees under Article 54 of the Parliament's internal Rules of Procedure, were also consulted for an opinion on the report.

Over the last six months a whole series of budgetary measures - the adoption of the regulation on the European Fund for Strategic Investments (EFSI), the launch of operational programmes linked to the cohesion funds, the carry-over of commitment appropriations from the 2007-2013 period which were unused in 2014 to 2015, 2016 and 2017, and the decision to increase pre-financing for the European Youth Initiative - have been taken in the service of the objectives set out in the annual growth survey.

Members appreciated the fact that economic recovery is **slowly gaining ground**, with GDP expected to rise by 1.9% in the euro area and 2.1% in the EU in 2016. They noted with concern, however, that the foundations of the recovery are fragile, owing to, among other factors, the EU's underlying structural weaknesses and regional economic divergences, resulting in uneven growth and low international competitiveness.

In this regard, they welcomed the Commission's focus in the 2015 Country-Specific Recommendations (CSRs) on the four main priorities for economic growth:

1. boosting investment,
2. implementation of structural reforms in product,
3. service and labour markets,
4. fiscal responsibility and improving employment policy.

Economic prospects and challenges for the EU: Members took note of the Commission's new approach to **streamlining the European Semester process** and its current timetable in order to harmonise the mutual impact of national documents (NRPs and Convergence/Stability Programmes) and documents prepared by the Commission (CSRs and country reports), so as to strengthen synergy and facilitate coordination of national policies while not disregarding the original goals posed by a Member State. They noted with concern the varying degrees of commitment demonstrated by Member States to implementing last year's CSRs and the generally poor implementation record. The report reiterated the need for coordinated policy within the Union. The Commission is called upon to:

- consider, taking note of Parliament's resolution of 24 June 2015 entitled 'The review of the economic governance framework: stocktaking and challenges', the possibility of introducing a **mechanism encouraging Member States to implement the CSRs;**
- publish a document providing a comprehensive assessment of the state of implementation of CSRs in every Member State, as well as explicitly identifying recommendations aimed at fulfilling updated Europe 2020 national targets.

Deploring the persistently high unemployment rates across most Member States, Members stressed the need for increased investment alongside reform of national labour markets, and the importance of taking

measures to boost the economy in order to increase job creation rates; as well as concentrate on creating quality workplaces.

National education systems should be improved and adapt them to the new skill and knowledge demands on the EU labour market, in particular by adapting the dual-track training model.

Members welcomed the entry into force of the regulation on the European Fund for Strategic Investment (**EFSI**), aimed at boosting private and public investment, through, inter alia, **National Promotional Banks** in the EU, as a step in the right direction.

Moreover, Members emphasised the role Parliament has played in **minimising redeployment** from Horizon 2020 and the Connecting Europe Facility in the context of EFSI and reiterated their commitment to reducing cuts during the annual budgetary procedure.

CSRs - priorities and objectives: Members called on the Commission to duly take the needs of SMEs into account in the design of the future Capital Markets Union (CMU) project. They also called for the development of the capital market, the removal of administrative barriers (where doing so would not undermine essential protection for workers and consumers), cutting red tape, strengthening the quality and efficiency of Member States' judicial systems, action against tax avoidance, tax evasion and tax havens, and the reform of Member States' tax and legal systems. They also stressed, however, the importance of **avoiding 'one size fits all' policies**.

As regards **undeclared work**, the report called for the swift entry into force of the European platform against undeclared work. Member States should adapt their public finances by conducting a **counter-cyclical policy** when necessary and making full use of the existing flexibility clauses foreseen in the legislation, while at the same time respecting the rules of the Stability and Growth Pact (SGP).

Recommendations: Members deplored the fact that the CSRs suffer from lack of ownership at national level, making it difficult to coordinate democratically legitimate national economic policies with European recommendations, as well as from an insufficient democratic accountability mechanism. They called, in this context, for an **increased role for national parliaments and local and regional authorities** , and also for relevant national and European stakeholders, such as representatives of civil society, in the preparation and drawing-up of the National Reform Programmes (NRPs). Members recalled that better economic governance in the euro area is crucial.

Members reiterated the need for a **new own resources system** which would pave the way for a genuine overhaul of the EU financing arrangements without requiring EU citizens to pay more tax and would create a real connection between the citizens and the European Authorities.

Budgetary policies: Members pointed out that the publication of a white paper on a euro area budgetary stability mechanism in spring 2017 will coincide with the mid-term review of the MFF. They reiterated their demand that any additional funding or instrument should fall within the scope of Parliament's budgetary oversight and should be financed over and above the MFF ceiling for 2014-2020.

As regards **new labour reforms**, new labour reforms should strike the requisite balance between **flexibility and security** for both employees and employers. The Commission is called upon to ensure that in its policy guidance labour market reforms are aimed at, inter alia, reducing segmentation, ensuring better anticipation and matching of skills and jobs, advancing the inclusion of vulnerable groups, reducing in-work poverty, promoting gender equality, strengthening the rights of workers with atypical contracts, and providing more social protection for self-employed workers.

Members are concerned about the expansion of '**zero-hour contracts'**. They believe that all types of contractual arrangements should give workers access to a core set of rights and adequate social protection.

Members recognised that **setting minimum wages** is a Member State competence which must be respected in line with the principle of subsidiarity.

Lastly, highlighting the reduction in youth unemployment rates, Members welcomed the Commission's decision to **release EUR 1 billion** as advance funding for the **Youth Guarantee Scheme** and called on the Member States to use all available funds swiftly and efficiently in order to implement the **Youth Employment Initiative** with minimum quality standards.