European semester for economic policy coordination: employment and social aspects in the annual growth survey 2016

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The European Parliament adopted by 404 votes to 201, with 35 abstentions, a resolution on European Semester for economic policy coordination: Employment and Social Aspects in the Annual Growth Survey 2016.

Although the unemployment rate has been slowly diminishing since the second half of 2013, Members considered that this is not enough to curb unemployment and poverty. **Unemployment currently affects 9.9 % of active citizens**, i.e. 23 million Europeans, about half of them being long-term unemployed, with a figure over 10% in the euro area. The youth unemployment rate at EU level stands at 22.6% and employment and social divergences within and between Member States persist.

In this context, Parliament made the following recommendations:

Investing in people: Parliament welcomed the fact that the Commission's Annual Growth Survey (AGS) underlined the need to pay more attention to **social fairness** in the context of the new national stability and reform programmes, adding **three employment indicators** (activity rate, youth unemployment and long-term unemployment) in for the macroeconomic imbalance procedure. It urged that these indicators be put on a genuinely equal footing with the existing indicators.

Stressing that economic and social cohesion should remain the primary objective of all EU policies, Members called on the Commission to:

- take action to **boost upward social convergence in the Union** and define the concept of social fairness, taking into account both employment and social policies, to be achieved through the European Semester;
- create **quality employment and generating growth** must be placed at the centre of Member State and EU policies, especially for youth and for the 'Generation 55+';
- foster forms of **cooperation** involving governments, enterprises, including social economy enterprises, educational institutions, individualised services, civil society and social partners, on the basis of exchange of best practices and with a view to better matching Member States' education and training systems to combat skills mismatches, meet the needs of the labour market;
- embrace the shift towards the **digital economy**;
- promote a **broader investment strategy for the full cycle of education and training**, encompassing all sectors of lifelong learning, work-based and workplace learning and formal and non-formal learning;
- invest in people as early as possible in the life cycle in order to reduce inequality and foster social inclusion at a young age;
- create a **validation system** for non-formal and informal forms of knowledge and experience, especially those acquired via voluntary activities;
- enhance the **Youth Guarantee** at national, regional and local level, and stress its importance for school-to-work transitions;
- take account the problem of integration of the long-term unemployed and engage in strategies and actions to **reduce poverty and social exclusion**.

Structural reforms in a social and responsible way: Parliament is concerned at the social impact of those fiscal adjustment policies which focus on cutting expenditure. It pointed out the need to continue prioritising public and private investment and socially and economically balanced structural reforms that reduce inequalities.

It highlighted that socially responsible reforms must be based on **solidarity, integration, social justice and a fair distribution of wealth** - a model that ensures equality and social protection, protects vulnerable groups and improves living standards for all citizens.

The Commission and the Member States are called upon, *inter alia*, to:

- promote and protect the **social market economy**;
- increase their efforts to turn **undeclared work** into declared work and design measures to enable workers to move from the grey to the formal economy;
- implement measures to **improve job quality** in order to reduce labour market segmentation, combined with measures raising minimum wages to an adequate level and fighting in-work poverty;
- encourage Member States to **implement rates of taxation related to the degree of stability** and the quality of the diverse forms of employment relationship, as one of the incentives for stable contracts;
- ensure that labour rights and social security standards are ensured when applying the **flexicurity model** and modernise their employment protection legislation in order to promote more stability in employment and security in transitions between jobs;
- embrace the **shift towards the digital economy** in the context of upskilling and training as well as new forms of employment;
- gradually shift the **tax burden** from labour to other sources in a way that hampers neither the most vulnerable groups in society;
- increase investment in their current **social protection systems**, if Europe wants to maintain its main competitive advantage in terms of highly-skilled workers and productive companies;
- strengthen efforts to **eradicate the gender pay gap**.

Parliament also called on the European Semester to assess the importance of incomes policies, including pensions, revenue indicators and fiscal policy, in order to guarantee social cohesion and reverse inequality trends. In accordance with the principle of subsidiarity, Member States should retain full responsibility for the organisation of their pension systems and implement policies to guarantee a strong, sustainable and adequate first pension pillar.

Boosting sustainable growth by relaunching investment: the resolution underlined the need to promote sustainable and inclusive growth leading to the creation of more and better jobs and tangible prospects for all, including for young people. The Commission and the Member States should:

- focus on **micro, small and medium-sized enterprises**, as a fundamental key for sustainable and inclusive development;
- take steps to provide **better information on all European funds** and programmes that have the potential to boost entrepreneurship, investment and access to financing;
- develop policies which **boost entrepreneurship** among young people from an early age, by providing opportunities for internships and company visits;
- reduce administrative burdens in order to support social enterprises.

The European Social Fund should devote more resources to funding the participation of unemployed workers in training programmes in the EU Member States as well as in programmes in their country of origin.

Better use of European funds: the Commission should ensure that the European Fund for Social Inclusion (EFSI) enables a better social and economic convergence of Member States and their regions within the EU and that all Member States make use of the possibility of accessing this fund. A report should be published to audit and measure the economic and social impact of the investment concerned in real terms. Taking into account Member States' difficulties in fully using European funds, the Commission should ensure close monitoring of the use of EU funds.

Social inclusion: with 12.7% of working-age people suffering in-work poverty in 2014, the Commission should propose an **integrated anti-poverty strategy for the EU** as well as an initiative to promote the introduction of **minimum incomes** in the Member States without breaching the principle of subsidiarity.

Member States should also implement more effective and inclusive forms of social protection systems and income support. They should also implement the necessary measures for the **social inclusion of refugees**, migrants legally residing in the EU and asylum seekers, in line with the relevant asylum legislation.

Parliament also called on the Commission and the Member States to reinforce their efforts to **tackle social and wage dumping in the EU**, which causes significant harm to the workers affected and to Member State welfare systems.

Better coordination of the European Semester: warning about the possibility of development of a two-tier EU, Members believed that the **euro area recommendation needs to be the starting point to strengthen the social dimension** in the sense of:

- enhanced democratic accountability mechanisms at both EU and national levels, including an interinstitutional agreement with the European Parliament and ensuring that all euro area national parliaments have the conditions to follow each step of the European Semester process;
- **meetings of the euro area Labour and Social Ministers** so as to better integrate its social dimension and properly address social imbalances.

The Commission is called upon to present, as soon as possible, a **proposal for establishing a Pillar on social rights** capable of ensuring a level playing field across the EU.