European semester for economic policy coordination: implementation of 2016 priorities

2016/2101(INI) - 20/10/2016 - Committee report tabled for plenary, single reading

The Committee on Economic and Monetary Affairs adopted an own-initiative report by Alfred SANT (S&D, MT) on the European Semester for economic policy coordination: implementation of 2016 priorities.

The Committee on Employment and Social Affairs, exercising its prerogative as associated committee in accordance with Article 54 of the Rules of Procedure, also gave its opinion on the report.

Europe's challenge in the context of the global economic slowdown: Members noted with concern that the EU economy will grow less than expected on the basis of the European economic spring forecast 2016, as GDP in the eurozone is expected to increase by only 1.6 %, reaching 1.8 % by 2017. They underlined the need to **improve growth, cohesion, productivity and competitiveness** while considering that lack of sustainable investment and the shortcomings in completing the single market are depriving the EU of its full growth potential.

While recognising the importance of coherence between cohesion policy instruments and the wider economic governance framework, Members stressed that measures linking the effectiveness of ESI Funds with sound economic governance should be applied judiciously and in a balanced way, but only as a last resort in order to avoid restricting regional and local investments, which are absolutely essential for the Member States' economies.

The report highlighted the need to **facilitate investment in areas such as education, innovation and research and development**, while enhancing the EU`s competitiveness by pursuing sustainable structural reforms to boost quality job creation, implementing responsible fiscal policies to create a better environment for jobs, businesses (especially SMEs) and investment.

Priorities and objectives of the 2016 recommendations: the Commission is called upon to continue to encourage **responsible and sustainable budgetary policies** that underpin growth and recovery in all Member States by putting more emphasis on investment and efficient public expenditure, and supporting sustainable and socially balanced structural reforms.

Members noted that **further measures are needed to increase financing opportunities, notably for SMEs**, in order to increase the ability of banks to lend to the real economy. They considered that monetary policy needs to be accompanied by appropriate fiscal policies aimed at improving growth in the EU, in line with the rules of the Stability and Growth Pact, including its **flexibility clauses**.

Investment policy instruments such as the EFSI and ESIF require properly calibrated blending and complementarity between them in order to enhance the value added of Union spending.

Policy responses and conclusions: Members emphasised the need to improve the EU's overall capacity to grow, **create and sustain quality jobs** and thus to tackle high levels of unemployment. **Migration** could play a role in compensating for the negative effects of the ageing population, depending on the ability of the Member States to better use migrants' skills and to adapt labour migration management systems to labour market needs.

The report insisted on the importance of:

- inclusive **educational systems** that foster innovation and creativity and teach skills relevant to the labour market, with particular reference to vocational education;
- giving **priority to measures that reduce the obstacles to greater investment flows and trade**, especially in the following fields: **energy, transport, communications and the digital economy**. Members noted the cumbersome legal systems, lack of transparency in the financial sector, the presence of barriers to the internal market in the banking and insurance sectors, and educational systems that remain out of sync with the requirements of the labour market;
- allowing for a **more suitable mix oriented towards policies** fostering sustainable growth, including a genuine focus on research and development spending.

Employment and Social Policies: Members highlighted that the European Semester process should help to provide answers to existing and emerging social challenges and that social investments in human capital must constitute core complementary action.

Unemployment, and in particular youth unemployment, remains an overriding problem for European societies. According to the Commission, unemployment has continued to gradually decrease, but remains above 2008 levels, with 21.2 million unemployed in April 2016 and huge differences among Member States.

In this regard, Members called for:

- the **introduction of a social imbalances procedure** in the design of the country-specific recommendations (CSRs) so as to prevent a race to the bottom in terms of social standards, building on effective use of the social and employment indicators in macroeconomic surveillance;
- further investment in and development of **education and training systems**, providing society with the tools and capacities to readapt to changing labour market demands.

Members welcomed the introduction of the **three new headline employment indicators** in the macroeconomic scoreboard. They called for these to be placed on an equal footing with existing economic indicators.

Members also called for urgent action to be taken ensure **decent work with a living wage**, access to an adequate minimum income and social protection.

Members regretted that more than three years after the launch of the **Youth Employment Initiative**, the results of the implementation of the Youth Guarantee are so uneven, and sometimes ineffective.

The Commission is called on to present a thorough analysis of its implementation of the Youth Guarantee which can serve as the basis for the continuation of the programme.

Internal market: stating that the single market is a backbone of the EU economy, Members called on the Commission to **monitor the progress made by the Member States**, and reiterated the importance of the formal inclusion of the single-market pillar in the European Semester.

The recommendation condemned the **barriers which still exist, or have been created**, that hinder a well-functioning and integrated single market. It drew attention to the partial transposition and implementation of the Services Directive by many Member States, and called on the Commission to enforce more effectively what Member States have signed up to under EU law.