

European semester for economic policy coordination: implementation of 2016 priorities

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The European Parliament adopted by 423 votes to 210, with 48 abstentions, a resolution on the European Semester for economic policy coordination: implementation of 2016 priorities.

Members recalled that Europe still faces a **major investment deficit**. Moreover, the Commission's spring 2016 forecast indicates expected growth rates of **1.6 % for the euro area and 1.8 % for the EU in 2016**. Unemployment in general (and structural unemployment in particular) in the EU remains one of the main challenges that Member States are facing, as it currently stands at a very high rate (10.5 million long-term unemployed in the EU).

Europe's challenge in the context of the global economic slowdown: noting with concern that the EU economy will grow less than expected on the basis of the European economic spring forecast 2016, Parliament 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.

Members welcomed the Commission's focus in its 2016 country-specific recommendations (CSRs) on the three main priorities to further strengthen economic growth: (i) supporting investment for innovation, (ii) growth and job creation, (iii) pursuing socially balanced structural reforms and encouraging responsible public finances. The Commission should do more to **bolster fiscal sustainability in line with the Stability and Growth Pact, while making full use of its flexibility clauses**, in line with the Commission [communication](#) of 13 January 2015.

The resolution 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.

While recognising the importance of coherence between cohesion policy instruments and the wider economic governance framework, Members stressed that **measures linking the effectiveness of European Structural and Investment 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.

In order to increase national ownership and foster the effective implementation of CSRs, these should be clearly articulated around well-defined and structured priorities at European level, involving national parliaments, regional and local authorities where appropriate. Member States should ensure a proper democratic scrutiny of their National Reform Programmes in their respective national parliaments.

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.

Parliament 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**. It also emphasised the importance of implementing the Banking Union and developing the Capital Markets Union.

Members underline the fact that investment has so far lagged behind and failed to lead to sustainable and inclusive growth in the EU and to contribute to the improvement of the business environment. They underlined that **investment policy instruments** such as the [European Funds for Strategic Investment](#) (EFSI) and the ESI Funds require properly calibrated blending and complementarity between them in order to enhance the value added of Union spending by attracting additional resources from private investors.

Policy responses and conclusions: Parliament 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 resolution underlined 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;
- avoiding an excessive tax wedge on labour.

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 and there are 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.

Moreover, Parliament 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 Commission is called upon to assess the feasibility of **further tax coordination** and, in particular, to assess the possibility of a simplified VAT approach in the digital single market.

Lastly, Parliament 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.