European Semester for economic policy coordination: Employment and social priorities for 2023

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The Committee on Employment and Social Affairs adopted the own-initiative report by Estrella DURÁ FERRANDIS (S&D, ES) on the European Semester for economic policy coordination: employment and social priorities for 2023.

Current context

A Eurobarometer survey has shown that social inequalities are the most serious concern of people in the EU and these inequalities have been aggravated by the social and economic consequences of the COVID-19 pandemic as well as other structural problems. Large income inequalities can have damaging effects on economic growth and undermine social cohesion. The spiralling cost of living and skyrocketing inflation, fuelled by huge increases in the price of energy, fuel, food and essential goods throughout Europe are creating an economic and social crisis. Even before the pandemic, 78 % of people in the EU wanted their national governments to do more to reduce income inequalities. The upcoming review of the economic governance framework represents a unique opportunity to support social investment.

Members highlighted the fact that the swift and coordinated EU policy action during the COVID-19 pandemic mitigated economic shocks and protected the population from the most adverse consequences of the crisis. They consider that although the fallout from Russia’s war of aggression against Ukraine poses multiple new economic, social and geopolitical challenges to the EU economy and society, other longer-standing social challenges, such as poverty, social exclusion, climate and biodiversity emergencies and inequalities continue to grow and must also be tackled.

The committee endorsed the Commission’s and the Member States’ ambition to coordinate EU policy responses more closely to mitigate the near-term burden of high energy and food prices, inflation, supply-chain disruptions, including shortages of medicines, rising debt levels and the increased cost of borrowing, including mortgages, for European households and businesses, especially SMEs and entrepreneurs. It insisted that the European Union needs an energy model that ensures universal access to decarbonised sources of energy and that puts an end to energy poverty. Members also highlighted the need for a EU Sovereignty Fund in order to ensure, amongst others, that all Member States have flexibility to tackle the social, climate, and environmental challenges.

Revised European Semester process

The report took note of the revised European Semester process, with a broader scope and enhanced multilateral surveillance in order to ensure sustainability and key investments while ensuring fiscal stability and taking into account reforms and investments through the national Recovery and Resilience Plans (NRRPs), Europe’s clean energy transition through REPowerEU and the UN SDGs.

Members considered that although there is a need to reduce public debt within a reasonable time frame, smaller or more indebted Member States need **more flexible individual adjustment paths** that allow them enough fiscal space to undertake the investments and reforms needed for socially fair green and digital transitions in a way that leaves no one behind.

Social dimension

The need to strengthen the social dimension of the European Semester and the implementation of the European Pillar of Social Rights is highlighted. The Commission is called on to consider presenting an instrument for a social convergence framework, to monitor social convergence risks, prevent other policy actions or economic shocks from having negative social spillover effects on upward social convergence, detect potential setbacks for the proper implementation of the EPSR and establish social targets.

Youth and vulnerable people

Members are concerned that 21.7 % of the EU population is at risk of poverty or social exclusion, with women and young adults more likely to be at risk. The Commission and the Member States are called on to develop targeted ways of supporting the long-term unemployed and homeless, as well as persons facing multiple barriers and forms of discrimination. They stressed the need of the country-specific recommendations in the European Semester to invest in adequate disability allowance that is compatible with other forms of income, to reduce the risk of poverty faced by persons with disabilities.

Highlighting the serious social and employment effects of the current crisis, especially for young people, Member States and the Commission are called on to:

- make sure that every young person in Europe has access to education, training and paid traineeships as well as to the labour market;

- prioritise the fight against unemployment;

- reinforce the European instrument for temporary Support to mitigate Unemployment Risks in an Emergency (SURE) to support short-time work schemes, workers' income and workers that would be temporarily laid off because of the increase in energy prices, amongst other causes, as well as to mitigate the effects of asymmetric shocks.

Employment dimension

Concerned about the current economic landscape, near-term forecasts and impact that wage increases below inflation could have on living standards in the EU, the report stated that raising purchasing power is one of the ways to ensure further economic recovery, but that in general wage growth will not keep pace with inflation over the year ahead, such that workers will lose purchasing power. Decent wages are an essential tool in helping households keep up with rising energy prices and in this regard Member States are called on to fight competitive practices based on low wages and poor working conditions, and to rapidly implement the provisions established in the Minimum Wages Directive, so that, as recommended, **minimum wages** are increased to at least 60 % of a country's gross median salary or 50 % of the gross average.

Members stressed that support for SMEs, including reducing unnecessary administrative burdens, is essential in order to ensure they can fully adapt their activities to the green transition and retain their workforce, especially in the case of start-ups, while safeguarding the highest levels of protection for workers and the environment, and helping European employers invest in sustainable growth and quality job creation.

The Commission is called on to propose a **directive to regulate teleworking conditions** across the EU and ensure decent working and employment conditions in the digital economy.

Parliamentary involvement

Members called for a more democratic European Semester process, with Parliament closely involved in setting macroeconomic and social policy priorities, in particular. They considered that a revised European Semester process should follow the **ordinary legislative procedure** and so be agreed between the Council and Parliament. The Commission should develop an economic governance architecture in the EU based on solidarity, integration, social justice and convergence, gender equality, high-quality public services, including a quality public education system for all, quality employment and sustainable development.