

Basic information

2011/2071(INI)

INI - Own-initiative procedure

European semester for economic policy coordination

Subject

4.15.02 Employment: guidelines, actions, Funds

5.10.01 Convergence of economic policies, public deficit, interest rates

Procedure completed

Key players

European
Parliament

Committee responsible

ECON Economic and Monetary Affairs

Rapporteur

BERÈS Pervenche (S&D)

Appointed

17/02/2011

Shadow rapporteur

GOULARD Sylvie (ALDE)

Committee for opinion

BUDG Budgets

SURJÁN László (PPE)

19/04/2011

EMPL Employment and Social Affairs
(Associated committee)

LUDVIGSSON Oile (S&D)

17/02/2011

ENVI Environment, Public Health and Food Safety

RIVELLINI Crescenzo (PPE)

09/05/2011

ITRE Industry, Research and Energy

The committee decided not to give an opinion.

IMCO Internal Market and Consumer Protection

STIHLER Catherine (S&D)

01/06/2011

REGI Regional Development

THEURER Michael (ALDE)

22/03/2011

CULT Culture and Education

TAKKULA Hannu (ALDE)

24/01/2011

AFCO Constitutional Affairs

TRZASKOWSKI Rafał (PPE)

14/06/2011

	FEMM Women's Rights and Gender Equality	CORNELISSEN Marije (Verts/ALE)	15/03/2011
Council of the European Union	Council configuration	Meetings	Date
	Economic and Financial Affairs ECOFIN	3105	2011-07-12
European Commission	Commission DG	Commissioner	
	Economic and Financial Affairs	REHN Olli	

Key events			
Date	Event	Reference	Summary
12/01/2011	Non-legislative basic document published	COM(2011)0011 	Summary
12/05/2011	Committee referral announced in Parliament		
12/05/2011	Referral to associated committees announced in Parliament		
12/07/2011	Resolution/conclusions adopted by Council		Summary
14/11/2011	Vote in committee		Summary
17/11/2011	Committee report tabled for plenary	A7-0384/2011	
30/11/2011	Debate in Parliament		
01/12/2011	Decision by Parliament	T7-0542/2011	Summary
01/12/2011	Results of vote in Parliament		
01/12/2011	End of procedure in Parliament		

Technical information	
Procedure reference	2011/2071(INI)
Procedure type	INI - Own-initiative procedure
Procedure subtype	Strategic initiative
Legal basis	Rules of Procedure EP 55
Other legal basis	Rules of Procedure EP 165
Stage reached in procedure	Procedure completed
Committee dossier	ECON/7/05534

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee draft report		PE466.955	26/05/2011	
Committee opinion	EMPL	PE465.021	13/07/2011	
Committee opinion	REGI	PE466.995	13/07/2011	
Committee opinion	CULT	PE462.837	14/07/2011	
Committee opinion	FEMM	PE465.000	14/07/2011	
Committee opinion	ENVI	PE465.007	14/07/2011	
Amendments tabled in committee		PE469.851	15/07/2011	
Committee opinion	BUDG	PE467.006	18/07/2011	
Committee opinion	IMCO	PE467.170	28/09/2011	
Amendments tabled in committee		PE473.879	10/10/2011	
Committee opinion	AFCO	PE469.736	25/10/2011	
Committee report tabled for plenary, single reading		A7-0384/2011	17/11/2011	
Text adopted by Parliament, single reading		T7-0542/2011	01/12/2011	Summary

European Commission

Document type	Reference	Date	Summary
Non-legislative basic document	COM(2011)0011 	12/01/2011	Summary
Commission response to text adopted in plenary	SP(2012)104	20/03/2012	

National parliaments

Document type	Parliament /Chamber	Reference	Date	Summary
Contribution	DE_BUNDESRAT	COM(2011)0011	21/03/2011	
Contribution	PT_PARLIAMENT	COM(2011)0011	24/03/2011	
Contribution	IT_CHAMBER	COM(2011)0011	27/04/2011	

European semester for economic policy coordination

2011/2071(INI) - 12/07/2011

The Council adopted:

- a recommendation on the implementation of the broad guidelines for the economic policies of the Member States whose currency is the euro;
- for each Member State, a recommendation on its 2011 national reform programme and including an opinion on the 2011 update of its stability or convergence programme.

The Council thus concluded the European Semester, which is being implemented this year for the first time as part of a broader reform of the EU's economic governance. The European Semester involves simultaneous monitoring of the Member States' economic, employment and budgetary policies, in accordance with common rules, during a six-month period every year.

The national reform programmes enable multilateral surveillance of the Member States' economic and employment policies, identifying growth-enhancing measures and setting national targets under the "Europe 2020" strategy for jobs and growth.

The stability and convergence programmes are aimed at ensuring sound government finances, in accordance with the EU's stability and growth pact, as a means of strengthening the conditions for price stability and for sustainable growth.

European semester for economic policy coordination

2011/2071(INI) - 12/01/2011 - Non-legislative basic document

PURPOSE: setting annual priorities for European growth with a view to advancing the EU's comprehensive response to the crisis (Annual growth survey).

BACKGROUND: the EU has taken decisive action to deal with the crisis: as a result, the deterioration of public finances and the increase in unemployment have been less marked than in other parts of the world. The EU's high levels of social protection cushioned the worst impact of the crisis but because of its weak productivity growth, **recovery is slower in Europe**. The consequences of the crisis are still making themselves felt:

- the rise in **unemployment** is a central problem. On aggregate, 9.6% of the working population is unemployed. In some countries, youth unemployment can be as high as 40%. Around 80 million people are estimated to live below the poverty line in Europe;
- by the end of 2012, eleven Member States are expected still to remain at **output levels** below those preceding the crisis;
- EU **gross government debt** rose, on aggregate, to around 85% of GDP in the euro area and to 80% EU-wide. The budgetary impact of the crisis will compound the effect of demographic change, which will add a fiscal burden of some 4.5% of GDP in the long term;
- the **financial sector** has not yet returned to normal conditions and there are situations of vulnerability to stress and dependency on state-support;
- **credit conditions** are not yet back to normal and in a number of Member States household and corporate debts are still excessive;
- price and cost **competitiveness** remain problematic.

Medium term **potential growth** for Europe is projected to remain low and estimated at around **1.5% up to 2020** if no structural action is taken namely to resolve the labour productivity gap with our main competitors. To avoid stagnation, unsustainable debt trends, accumulated imbalances and ensure its competitiveness, Europe needs to accelerate the consolidation of its public finances, the reform of its financial sector and to frontload structural reforms now.

In this context, the EU has also decided to change its economic governance. January 2011 launches the first **European Semester** of ex-ante policy coordination starting with this **Annual Growth Survey** which is anchored in the [Europe 2020 strategy](#).

This Annual Growth Survey brings together the different actions which are essential to strengthen the recovery in the short-term, to keep pace with our main competitors and prepare the EU to move towards its Europe 2020 objectives.

CONTENT: given the urgency, the Commission has chosen to present 10 priority actions. It focuses on an integrated approach to recovery concentrating on key measures in the context of Europe 2020 and encompassing three main areas:

- the need for rigorous fiscal consolidation for enhancing macroeconomic stability,
- labour market reforms for higher employment, and
- growth enhancing measures.

This first Annual Growth Survey is designed to **apply to the EU as a whole** but will need to be tailored to the specific situation of each Member State.

The ten actions put forward by the Commission are as follows:

1) Implementing a rigorous fiscal consolidation: public expenditure must be put on a sustainable track as a pre-requisite for future growth. Annual adjustments of the structural budget balance in the order of 0.5% of GDP will be clearly insufficient to bring debt ratios close to the 60% requirement. Therefore, stronger consolidation is needed and should be implemented on the basis of the reinforced fiscal rules proposed by the Commission. All Member States should keep public expenditure growth firmly below the rate of medium term trend GDP growth, while prioritising sustainable growth friendly expenditure in areas such as research and innovation, education and energy. All Member States should demonstrate that their Stability or Convergence Programmes are based on prudent growth and revenue forecasts. Indirect taxes are more growth-friendly than direct taxes and broadening tax bases is preferable to increasing tax rates.

2) Correcting macro-economic imbalances: many Member States need to tackle their lack of competitiveness with greater urgency. Member States with large current account surpluses should identify and tackle the sources of persistently weak domestic demand (including further liberalisation of the service sector and improving conditions for investment).

3) Ensuring stability of the financial sector: at EU level, the regulatory framework must be further reinforced, while the quality of supervision should be enhanced by the ESRB and European Supervisory Authorities, which have become operational at the beginning of 2011. Bank restructuring must be accelerated to safeguard financial stability and underpin the provision of credit to the real economy.

4) Making work more attractive: the participation rate of low income earners, young people and second earners is worryingly low. The most vulnerable face the risk of long term exclusion from employment. In response, training and job search should be tied more closely to benefits. Shifting taxes away from labour should be a priority for all Member States in order to stimulate demand for labour and create growth.

5) Reforming pension systems: Member States that have not already done so should increase the retirement age and link it with life expectancy. They should: (i) reduce early retirement schemes as a priority, and use targeted incentives to employ older workers and promote lifelong learning; (ii) support the development of complementary private savings to enhance retirement incomes; (iii) avoid adopting measures related to their pension systems which undermine the long term sustainability and adequacy of their public finances.

6) Getting the unemployed back to work: once the recovery has gained ground, unemployment benefits should be reviewed to ensure that they provide incentives to work, avoid benefit dependency and support adaptability to the business cycle. Member States should design benefits to reward return to work or incentives to go into self-employment for the unemployed.

7) Balancing security and flexibility: in some Member States, employment protection legislation creates labour market rigidity, and prevents increased participation in the labour market. Such employment protection legislation should be reformed to reduce over-protection of workers with permanent contracts, and provide protection to those left outside or at the margins of the job market. At the same time, reducing early school leaving and improving educational achievements is essential to help young people to have access to the labour market.

8) Tapping the potential of the single market: barriers to market entry and obstacles to entrepreneurship remain acute in the single market. Cross-border services only represent 5% of GDP, less than a third of trade in goods and only 7% of consumers buy on-line because of the numerous restrictions which prevent the development of cross-border on-line sales. All the Member States should i) fully implement the Services Directive and ii) remove unjustified restrictions on professional services such as quotas and closed shops, together with restrictions on the retail industry. Tax treatment disadvantaging cross-border trade or investment should be eliminated.

9) Attracting private capital to finance growth: innovative solutions are required to mobilise urgently a greater share of private EU and foreign savings. The Commission will make proposals: (i) for EU project bonds to help bring public and private financing together for priority investments and (ii) to enable venture capital funds established in one Member State to operate freely anywhere in the EU and to eliminate remaining tax obstacles to cross-border activities.

10) Creating cost-effective access to energy: Member States should rapidly: (i) implement the third internal market energy package in full, (ii) step up their energy efficiency policies. This will lead to significant savings and create jobs in the construction and services sectors. The Commission is developing EU-wide standards for energy efficient products to help the expansion of markets for innovative products and technologies.

The Commission proposes that **these form the basis of an agreement** by the European Council that Member States should commit to the implementation of these 10 actions. The proposals set out in this Communication would already enable the next meeting of the European Council to take **concrete steps** to maintain and accelerate the momentum of efforts to frontload and raise growth, and agree on the timetable for implementing the comprehensive response to the crisis. For the latter, the European Council has already agreed on two benchmarks: for finalising work on the permanent European Stability Mechanism (ESM) by March and the legislative package to enhance economic governance in the EU by June.

European semester for economic policy coordination

2011/2071(INI) - 01/12/2011 - Text adopted by Parliament, single reading

The European Parliament adopted by 506 votes to 106 with 11 abstentions, a resolution on the European Semester for Economic Policy Coordination. The resolution follows on from the Commission's communication entitled "Annual Growth Survey: advancing the EU's comprehensive response to the crisis".

It stresses that the experience gained and mistakes made during the first decade of functioning of the economic and monetary union show a need for improved economic governance in the Union, which should be built on stronger national ownership of commonly agreed rules and policies and on a more robust surveillance framework at Union level for national economic policies.

(1) Outline of the challenges: Members consider that the current stage of the crisis calls for strong and ambitious answers. They consider that, until further notice, the European Semester is the valid framework for the implementation of the EU strategy and for effective economic government. They are convinced that the introduction of the European Semester and the enhanced coordination of economic and budgetary policies should leave enough scope and flexibility to the EU Member States to pursue an effective budgetary, economic and social strategy, appropriate in accordance with the EU 2020 strategy, geared to distribution and development and providing an adequate level of public services and infrastructure for EU citizens.

The resolution reiterates that Member States should regard their economic and fiscal policies as a matter of common concern and that the economic pillar of Economic and Monetary Union, including its fiscal dimension, must therefore be strengthened through more coordination in the introduction and implementation of fiscal measures as well as an effective fight against tax fraud and tax evasion and the phasing-out of existing detrimental measures.

(2) Role of the Commission: Members note that the European Semester has been established to ensure sustained convergence of the economic and fiscal performance of the Member States, achieve closer coordination of economies and overcome the sovereign debt crisis and that the Annual Growth Survey (AGS) has been established as the initial basic document of the cycle.

Drawing the lessons from the first cycle, Parliament notes that the quality of National Reform Programmes under the first European Semester varies greatly regarding concreteness, transparency, feasibility and comprehensiveness. It calls on the Commission to:

- invite Member States to upgrade the quality and transparency of their contribution and to elevate the National Reform Programmes of best quality to the standard format for future European Semesters;
- ensure that the national policies and targets announced in the National Reform Programmes together add up to a level that is sufficiently ambitious to reach the EU 2020 headline targets.

Annual Growth Survey: Members consider that the AGS should be in line with: i) the EU 2020 strategy, ii) the integrated guidelines (broad economic policy guidelines and employment guidelines), and iii) specific Council agreements regarding the euro area or the Union as a whole such as the Euro Plus Pact.

Parliament calls on the Commission to reflect better the comprehensive multidimensional (smart, sustainable and inclusive) approach of the EU2020 strategy in the benchmarks used to assess the progress made by Member States and to issue country-specific recommendations accordingly. It requests that the AGS be transformed into 'Annual Sustainable Growth Guidelines' (AS2G), focusing on enhancing sustainable growth.

It calls on the Commission to:

- when drawing up the Annual Sustainable Growth Guidelines, to draw upon a wide range of scientific expertise to the greatest extent possible and to take relevant recommendations of the European Parliament, Member States and local and regional governments into account;
- assess clearly, in the Annual Sustainable Growth Guidelines, the main economic and fiscal problems of the EU and individual Member States, to propose priority measures to overcome those problems;
- identify the initiatives taken by the Union and the Member States to support enhanced competitiveness and long-term investment, to remove obstacles to sustainable growth, to achieve the targets laid down in the Treaties and the current EU 2020 strategy, to implement the seven flagship initiatives and to reduce macroeconomic imbalances;
- ensure that policy guidance for fiscal consolidation and structural reforms is consistent with the EU 2020 strategy for growth and jobs.

Country-specific recommendations: the Commission is invited to:

- ensure greater comparability of the National Reform Programmes (NRPs) and establish common benchmarks to assess the Programmes;
- present its recommendations to the European Parliament at an appropriate time, once the analysis of the NRPs and SCPs (Stability and Convergence Programmes) has been completed, and to highlight the potential cross-border spill-over effects especially within the eurozone;
- organise a hearing with the aim of providing information on the yearly monitoring events announced in the various flagship initiatives;
- step up the role of the macroeconomic dialogue so as to improve the interaction among those responsible for wage development, economic, fiscal and monetary policy.

Members call on the Council to come to Parliament in July to explain any significant changes it has made to the Commission's proposed country-specific recommendations.

(3) Role of the European Parliament: Members recall that the parliamentary debate on economic policy guidelines is the cornerstone of any democratic system. They consider that Parliament has to become a fully-fledged partner in the macroeconomic dialogue.

Expressing their concern regarding the democratic legitimacy of the introduction of the European Semester, Members take the view that the European Parliament should be recognised as the appropriate European democratic forum to provide an overall evaluation at the end of the European Semester. They want Parliament to organise each year, from 2013, prior to the Spring European Council each year, an interparliamentary forum at the European Parliament for members of the competent national parliamentary committees.

Members warn against the establishment of any practice that lacks parliamentary approval at the European or national level and underline the need for country-specific recommendations to be based on democratic procedures. Highlighting the need for upgrading the parliamentary dimension in parallel to the Council one, Members ask that:

- the Parliament votes before the Spring Council on the Annual Sustainable Growth Guidelines with amendments proposals to be submitted to the European Council;
- the Annual Sustainable Growth Guidelines to be subject to a codecision procedure that should be introduced by the next Treaty change.

(4) Role of the Council: Members call on the European Council to invite the President of the European Parliament to participate in its meetings on the European Semester. They call on the Council and the Commission to report to it with an exact overview of actions and measures in the first few weeks of each year on the developments and successes of the previous European Semester.

Member States are invited to provide information which is as detailed as possible on the measures and instruments provided for in the national reform programmes to attain the national objectives set, including the deadline for implementation, the expected effects, the potential spill-over effects, the risks of unsuccessful implementation, the costs and, if applicable, the use of EU Structural Funds.

The resolution invites the Council to strengthen the macroeconomic dialogue, in particular by establishing corresponding macro-dialogues at national level, and considers it to be of major importance to include in the constant dialogue between European Institutions the involvement of the European Central Bank.

(5) Sectoral contributions to the European Semester: Members consider that, in the context of the European Semester, Member States should be encouraged to attach special importance to specific issues, such as facilitating young people's access to education, guidance and training and preventing early school-leaving, promoting lifelong learning, promoting employment and reducing unemployment, especially among young people, promoting integration of older people into the labour market, combating undeclared work, facilitating reconciliation of work and family life and improving childcare facilities.

The Council and the Commission are invited to assess comprehensively whether the measures proposed in national programmes to combat poverty and social exclusion and to increase employment levels are in line with the Europe 2020 objectives. They call on Member States which have not set national targets, or which have not sufficiently committed themselves to achieving the employment rate in Europe for women and men of 75% by 2020, to undertake to pursue this objective.

The Commission is urged, when identifying current and future employment trends during the economic semester, to use those trends to coordinate training strategies with third-level institutions.

Members declare their readiness to engage in a regular policy dialogue and exchange of views with national parliaments and other relevant stakeholders, including the social partners, business sector and NGOs, on the employment and social aspects of Europe 2020 and the European Semester.

Lastly, deploring the cut in public spending and investment in the field of education observed in many national budgets, Members re-emphasise the need to prioritise public investment in sustainable growth-friendly areas such as R&D and education.