



## CEMR-EPSU joint project 'Localising the European Semester'

### Opening seminar

Namur, Belgium, 23 March 2018

#### Summary of key discussion points

- The meeting involved over 30 participants from LRG stakeholders at the national level, representatives of EPSU and CEMR, Committee of Regions, the European Commission, Eurofound and independent experts
- The European Semester is currently either not yet on the radar or not high on the list of priorities of social partners in the LRG
- The goals of the European Semester are very pertinent to the agenda of LRG stakeholders (to ensure greater economic convergence and stability in pursuance of the Europe 2020 goals of smart, sustainable and inclusive growth)
- The agenda and reforms suggested in the Semester process are not politically neutral and require social partner and LRG involvement to be fully implemented
- There are some good practices of LRG stakeholders participating in the Semester processes but also challenges to ensure genuine consultation, depending also on the national traditions of social dialogue and consultation processes

### 1. Opening by the co-chairs of the European social dialogue committee

Opening the seminar, Malin Looberger (SALAR, CEMR) and Mads Samsing (HK, EPSU), acknowledged that the European Semester is currently either not yet on the radar or not high on the list of priorities of social partners in the LRG. However, its importance and the role of the European and national social partners within it is increasing - not least as a result of the including of the European Pillar of Social Rights. This project, which is due to run until 2020, aims to provide the social partners in the LRG sector with the opportunity to learn more about the European Semester process, its linkages with the day to day work of LRG and to exchange information on how to get effectively involved in this process and the capacities and knowledge required to do so.

### 2. Involvement of social partners in the European Semester

**Presentation of background report.** The project's experts, Inga Pavlovaite and Dr Tina Weber kicked the seminar off by presenting their background report, firstly by outlining the history and the process of the European Semester.

The European Semester was introduced in 2010 as an instrument of economic and social governance. It was introduced as a reaction to the crisis in an effort to address, prevent and counteract the fiscal and economic factors which contributed to the crisis. The aim is to achieve greater fiscal, economic,



social and employment policy co-ordination to ensure greater economic convergence and stability in pursuance of the Europe 2020 goals of smart, sustainable and inclusive growth.

It brings together in one cycle a wide range of governance instruments some of which have distinct legal bases, whereas others do not. Legal bases exist in relation to the Stability and Growth Pact (which requires Member states to pursue 'sound' public finances' and the Macro-economic imbalance procedures (MIP, aimed at preventing destabilizing macro-economic imbalances from developing at Member State level). No specific legal basis exists in the Treaty for employment and social policy co-ordination. However, it was nonetheless recognized that there is a need for the co-ordination of economic, fiscal and employment policies if sustainable growth is to be achieved. The social goals of the European Semester have recently been further bolstered by the integration of the priorities of the European Pillar of Social Rights.

The preparatory work for the European semester start in late summer when the Commissions begins to gather evidence for the Annual Growth Survey (AGS), Joint Employment Reports, as well as the Country Reports.

Based on the Annual economic forecast, the AGS is drafted which identifies the EU's economic and social priorities, as well as reviewing progress towards reforms. The AGS is released in November. In 2018, it included the following thematic priorities: boosting investment to support recovery and increase long-term growth; structural reforms for inclusive growth, upward convergence and competitiveness; and responsible fiscal policies. On the social and employment policy side, it highlights the importance of a well-functioning labour market, equal opportunities; fair working conditions; the integration of migrants and ensuring effective social protection systems.

Attached to the AGS is the Joint Employment Report which analyses social and employment trends and relevant policy responses. In 2018 it includes for the first time a monitoring of Member States' performance in relation to the priorities of the European social pillar. There dialogue then takes place between the Council and the Commission and the Parliament and the AGS and Joint Employment reports are adopted in March.

In April, Member States present their National Reform Programmes which should be prepared in consultation with social partners, local and regional governments as well as other relevant partners. These NRPs set out how Member States seek to achieve the goals of the EU2020 strategy and how the Country Specific Recommendations of the previous year have been taken into account.

In May the Commission subsequently prepares new CSRs based on its analysis of Member State progress within Country Reports. There is often a significant degree of negotiation regarding these CSRs which are finally endorsed by Council June. The timing of the CSRs is to allow for Member States to take priorities set into account in shaping their upcoming budget process. The CSRs set out actions for each Member State to take, according to economic and social performance in the previous year and are intended to focus on structural reforms which are achievable in the coming 12-18 months.

In 2015 the European Semester process was streamlined with a focus on fewer CSRs, an extended timetable (to 12 months) to allow for more consultation, bilateral exchanges and fact finding missions. A further innovation with the introduction of European Semester officers in each Member State to facilitate the dialogue between national and European institutions.

Over the last 3 years, the number of CSRs of direct relevance at territorial level has significantly increased, with 76% of CSR now assessed to be territory related. Relevant CSRs focus on reforms of



public administration, social and employment policies, health, education and housing as well as environment policies (depending on the specific responsibility of local and regional government). In 2017-2018, 15 Member States received CSRs relating to the management of public finances; for 23 Member States employment and education policy reform was emphasized; improvements in healthcare provision were called for in 10 Member State CSR and infrastructure and housing improvements were prioritized in 5 Member States. Among the most significant innovations of the latest Winter Package was the inclusion – for the first time - of European Pillar of Social Rights Scoreboard which assesses Member States’ situation in relation to a number of key performance indicators linked to the Pillar.

The discussion which followed the presentation of the background report for the seminar highlighted the following reflections by the social partners in the LRG sector regarding the European Semester process in different countries.

The Danish trade unions expressed the view that while there was good collaboration with regard to the European Semester and regular consultation do take place, it was called into question whether the government is really listening to the views expressed by social partners. This ultimately depends on the views and policies of the government in power. Furthermore, the unions in the sector are also often in disagreement with the Commission’s assessment of the country’s situation and the CSRs put forward for Denmark.

A representative of one of the French trade unions expressed that his union had never so far been contacted in relation to the European semester process. Overall, the perception of the process is a negative one which intends to drive a process of liberalization of the labour market and which acts in favour of larger companies and vested interests. Another French trade union representative present argued that they were consulted on the Country Reports, CSRs and NRP but agreed that many reforms are negatively received and are considered to enforce liberalization and are thus not ‘politically neutral’. The European Semester process is seen to merely involve the information but no real consultation. It also often happens that meetings are organized to discuss a specific policy but it is not made clear that this is part of the Semester process. In some of these meetings it is not possible for social partner to intervene and be heard.

A Belgian trade union representative highlighted the impact of CSRs on procurement and budget rules at the local level which served to block necessary public investment and also had a significant impact on local employment. Such recommendations are therefore negatively received at the local level. The union sought to influence the discussion in relation to this CSR but was told that such decisions could not be changed as they came from the European level.

A Finnish trade union representative reported on the experience with a CSR which called for the renewal of the health and social welfare system. There is in fact such a reform currently going through Parliament and social partners were consulted, but this was not as part of the European Semester but as part of regular consultation between government and relevant stakeholder organisations.

A representative from the Scottish LRG association agreed that the nature of the European Semester consultation process heavily depends on the nature of existing consultation processes at the national level. He recommended for social partner to work directly with the national desk officers in the European Commission as they often welcome such collaboration also as a way to increase their evidence base.



EPSU emphasized that at European level social partners are directly involved in the Semester process and engage with members to pass on and gather information. This is also done through an ongoing dialogue with ETUC. EPSU carries out its own internal analysis of CSRs on an annual basis. However, it is clear that this still remains rather removed from the day to day work of trade unions at the national level. This may change as the Pillar attains greater importance within the Semester process. It was also queried whether this may bring a shift towards less liberalizing trends.

**Eurofound study on the involvement of social partners in the European Semester.** Eurofound regularly monitors the participation of social partners in the European Semester and has been doing this since 2015. The latest report covers 2016-2017. An effort was made to present the findings of this report at the seminar via skype. However, technical difficulties prevented this and instead the slides and reference to the full report will be distributed.

### 3. The role of local authorities in the European Semester

Alexandre Maitre (Directeur Département Etudes Gouvernance locale, Union des Villes et Communes de Wallonie) presented the challenges of the Walloon municipalities and their union in the European semester. He argued that it would be best to enhance the role of local government in the EU. The Union of Walloon municipalities in non-profit organization helping Walloon municipalities (262 municipalities represented); local police and fire departments and public enterprises of the municipalities. This is now a regional organization (with two others existing in Flanders and Brussels) which were previously one until 1992, but continue to collaborate closely.

He explained the organization helps local authorities:

- Provide daily advice to local authorities
- Lobby at all levels (including European)
- Involve in collective bargaining
- Deliver training, monthly magazine, etc.

The organisation's political administration is mainly made up of the mayors coming from different political parties. The following challenges were outlined for local authorities:

- Governance and good performance (new management tools, innovation through strategic pilot projects)
- Challenges at territorial level – social cohesion, security, transport and other public service provision.

In order to address these challenges, appropriate resources are required (skilled and trained employees, up to date equipment, preserved income, controlled expenses etc.). It also requires financial stability and a stable and moderate legal environment based on:

- Concertation
- Subsidiarity
- Agility
- Autonomy and responsibility



Instead, the higher levels of government are seen not to take account the principle of subsidiarity with decisions being taken top down. LRG are constantly being asked to do more and more but with less money leading to win-lose administrative simplification. Social concertation is done apart from the actual employers. In this process, the EU contributes to make the situation more difficult by providing a social dumping friendly framework, unstable legislation and the lack of a privileged partnership with local authorities. In addition, there are inappropriate public debt control systems (while state is allowed to make debts, but public authorities are not). LRG therefore expect the EU to:

- Enforce the subsidiarity principle
- Ensure full involvement of social partners
- Provide multi-level responsibility for financial decisions
- Promote modern financial supports to investments (predictable, adaptable to local needs).
- Prepare stable, moderate and agile legislation
- Ensure comprehensive pro-investment debt regulation norms

Speaking on behalf of the Committee of the Regions, Andrea Forti emphasized that the CoR is in favour of localizing the European semester for reason of effectiveness and ownership to make policies more relevant (take account of territorial differences). He saw the challenges for local and regional authorities to take part in the European semester as follows:

1. Matching tasks with financial resources relating to the size of EU budget and in particular:

- Budget of cohesion policy
- Public investment at EU level
- Fiscal decentralization
- Financial instruments

2 Regulatory environment (e.g on public procurement)

3. Administrative and institution capacity

4 Vertical co-ordination.

#### **4. The social dimension of the European Semester**

**Andrea Forti, Committee of the Regions, ECON commission**, presented the CoR perspective. LRA are informed and consulted as implementers but are not seen as full partners (not involved in designing policies), although there are some good practices. The CoR's Code of Conduct is a recommendation which Member States can implement in a way to suit them to suit national situations and avoid red tape. He argued that all documents of the European Semester should include territorial analysis and should be planned and implemented in a way which ensures that local authorities can be involved. The Commission agrees that there is a need for stronger involvement of LGA, but thinks a Code of Conduct could infringe the subsidiarity principle. CoR thinks the opposite is true. A study carried out by METIS on behalf of the CoR found that the European Semester is becoming embedded in the the national consultation processes. It finds that LGA play a role, but fall short of being involved as full partners. Current good practices show that the CoC would offer a common baseline and some good examples already exist.



Each year in October the CoR publishes a Resolution on the AGS and analyses Country reports and CSR to assess their territorial dimension. It also prepares relevant studies, workshops and prepares a newsletter. In relation to the social aspects of the European Semester, a key issue is that there is no legal basis and a lack of ownership (if Member States don't like the recommendations, they don't implement them). Furthermore, the administrative and technical complexity of required reforms means it would take years to implement even if there is goodwill. There are also distributional issues including the flaws in design (impacts between social groups and between regions are not equal).

New proposal announced on 6 December 2017 to progress towards EMU includes multi-annual reform commitments (3 years +) – via a voluntary pact to engage in implementing a package of structural reforms. This would get financial assistance from a Structural Reform Service. Making such an agreement entails commitments to implement certain measures and to arrive at certain milestones and targets. To benefit from such support, Member States will have to submit their proposals every year by a certain deadline. There will be bilateral negotiation on these plans with less involvement of the stakeholders. Monitoring, assessment and payment will be done in the context of European Semester. The problem with this approach is that there are other available policies which could be used to undertake structural reforms which are more consultative. Another possibility is to use built-in flexibility in favour of more flexible application of debt ceilings. It is therefore considered that these new measures will not address the issue of ownership of such reforms and reduce partnership. In addition, there is a risk of 'crowding out' cohesion policy funding. The overall funding envelope for the structural reform service is 25 billion Euros. The respective law on this issue is due to be published on 29 May 2018.

If this structural fund package is approved, some of the European Semester processes will be superseded. The CoR considers that there is a risk that this will overshadow existing good practice in the European Semester. There is therefore a risk to throw the baby out with the bath water – rather than improving European Semester. A better way would be to improve the European Semester process by finding strong consensus around key issues to be addressed in different Member States and to ensure that the necessary reform is actually implemented.

**Setting out the role of the social partners in the European Semester from the perspective of the European Commission**, Filip Tanay (Team leader Employment and Social Aspects of the European Semester, DG Employment, European Commission) firstly emphasized the encouraging economic and employment context in which the European Union currently finds itself, after the many difficult years of the economic crisis. He considered that this gives an opportunity to invest more work in the employment and social aspects of the EU2020 goals and to address the remaining social challenges. Among these are continuing high youth and long-term unemployment and the fact that household incomes have still not fully recovered or at least returned to the pre-crisis position. Overall, the picture in relation to EU2020 targets is relatively positive, although more remains to be done. The Commission considers that the employment, NEET and tertiary education targets are likely to be met, whereas others, for instance the poverty reduction and use of renewable energy targets are likely to be missed. At present it remains unclear what will follow the EU2020 strategy (e.g. whether there will be an EU2030 strategy).

The importance of the European Pillar of Social Rights was emphasized, but it was recalled that the Pillar in itself does not have a legal basis. He therefore called upon social partners and national, as well as local and regional governments to keep up the pressure to ensure that the goals of the Pillar are



given form in terms of legal initiatives such as the Social Fairness Package and the Work-life balance package.

While the Work-life balance package has at its equal opportunities goals, the social fairness package seeks to ease intra-EU mobility; support collaboration between national authorities in addressing issues linked to cross border working and providing solutions in cross-border disputes. Furthermore, it acknowledges trends in the labour market, which have in recent years favoured the creation of more precarious jobs as well as self-employment and seeks to ensure comparable protection for individuals on different contracts, particularly with regard to social protection.

Another important element of the Social Pillar (Principle 8) is the social dialogue and the involvement of employer and worker representatives in decision making. The European Semester, with the inclusion of the Social Pillar Priorities, therefore seeks to create a virtuous triangle of investment, social reforms and responsible fiscal policies.

Among the key concerns which are reflected in the Country Reports and the Country Specific Recommendations are skills mismatches, gender gaps, labour market segmentation, in work poverty, the low impact of social transfers on poverty reduction etc. Most Member States have CSRs in these areas. In addition, countries have CSRs on social dialogue and wage setting (BG, DE, FI< HR, IT, NL, PT, RO). 17 country reports have more detailed sections on social dialogue which are often focused on the capacity of the social partners.

The Social Scoreboard seeks to measure Member State progress in relation to twelve selected indicators. The following timetable was set out in terms of providing effective social partner input: Process starts in summer with a review of what has been implemented. When Autumn package comes out this sets the framework for the coming semester - at this point draft country reports are well under way. If there is information what could make it into country reports it needs to be submitted by latest in end of October.

The meeting concluded with thanking all the participants and speakers for their fruitful contributions.

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