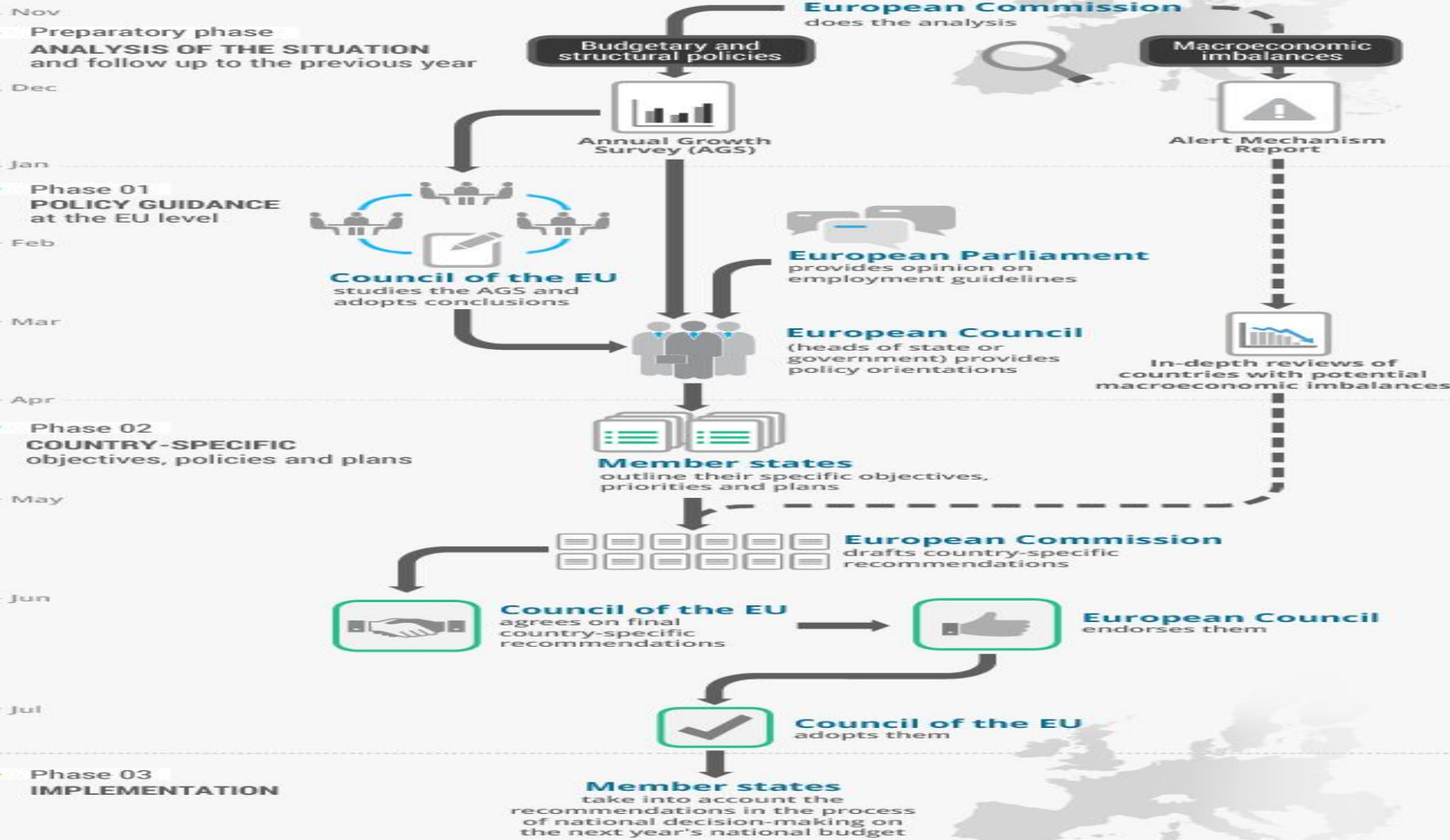


The European Semester



EPSU Economic Policy Meeting
Brussels, 18 September 2014

Who does what in the European Semester?



A new cycle starts again towards the end of the year, when the Commission gives an overview of the economic situation in its Annual Growth Survey for the coming year.



Council of the European Union

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The new Commission and the new President



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The New Commission: Juncker

Juncker's policies:

- In dealing with the crisis “mistakes were made. **There was a lack of social fairness.** Democratic legitimacy suffered.”
- **First priority:** “to strengthen Europe’s competitiveness and to stimulate investment for the purpose of job creation.” – €300 billion in additional public and private investment
- Using EU budget and European Investment Bank – “We need smarter investment, more focus, **less regulation** and **more flexibility** when it comes to the use of these public funds.”

The New Commission: Juncker

Juncker's policies:

- Small and medium-sized businesses create more than 85% of new jobs and “we have to free them from **burdensome regulation.**”
- “we should step up our efforts to **combat tax evasion and tax fraud...** and work for the adoption at EU level of a Common Consolidated Corporate Tax Base and a Financial Transactions Tax.”

The New Commission: Juncker

Juncker on a “deeper and fairer Economic and Monetary Union:

- Crisis only paused... need to consolidate and complement measures taken during crisis... “simplify them and make them **more socially legitimate.**”
- Stability-oriented review of the “six-pack” and “two-pack”
- Proposals “to encourage **further structural reforms**, if necessary through additional financial incentives”
- **Replace the “troika”** with a more democratically legitimate and more accountable structure”
- The **social effects** of structural reforms need to be discussed in public, and the **fight against poverty** must be a priority.”

The new Commissioners

Position	Name	Comments
Vice-President for the Euro and Social Dialogue	Valdis Dombrovskis	Latvia: former Prime Minister, Centre Right (EPP) To coordinate ECFIN, EMP etc.
Vice-President for Jobs, Growth, Investment and Competitiveness	Jyrki Katainen	Finland: former Prime Minister, Centre Right (EPP) To coordinate ECFIN, EMP etc.
Economic and Financial Affairs, Taxation and Customs Union	Pierre Moscovici	France: former finance and earlier European affairs minister, Socialist (S&D)
Employment, Social Affairs, Skills and Labour Mobility	Marianne Thyssen	Belgium: MEP, Centre Right (EPP) Former researcher at UNIZO organisation for small and medium-sized enterprises

New Commissioners - Missions

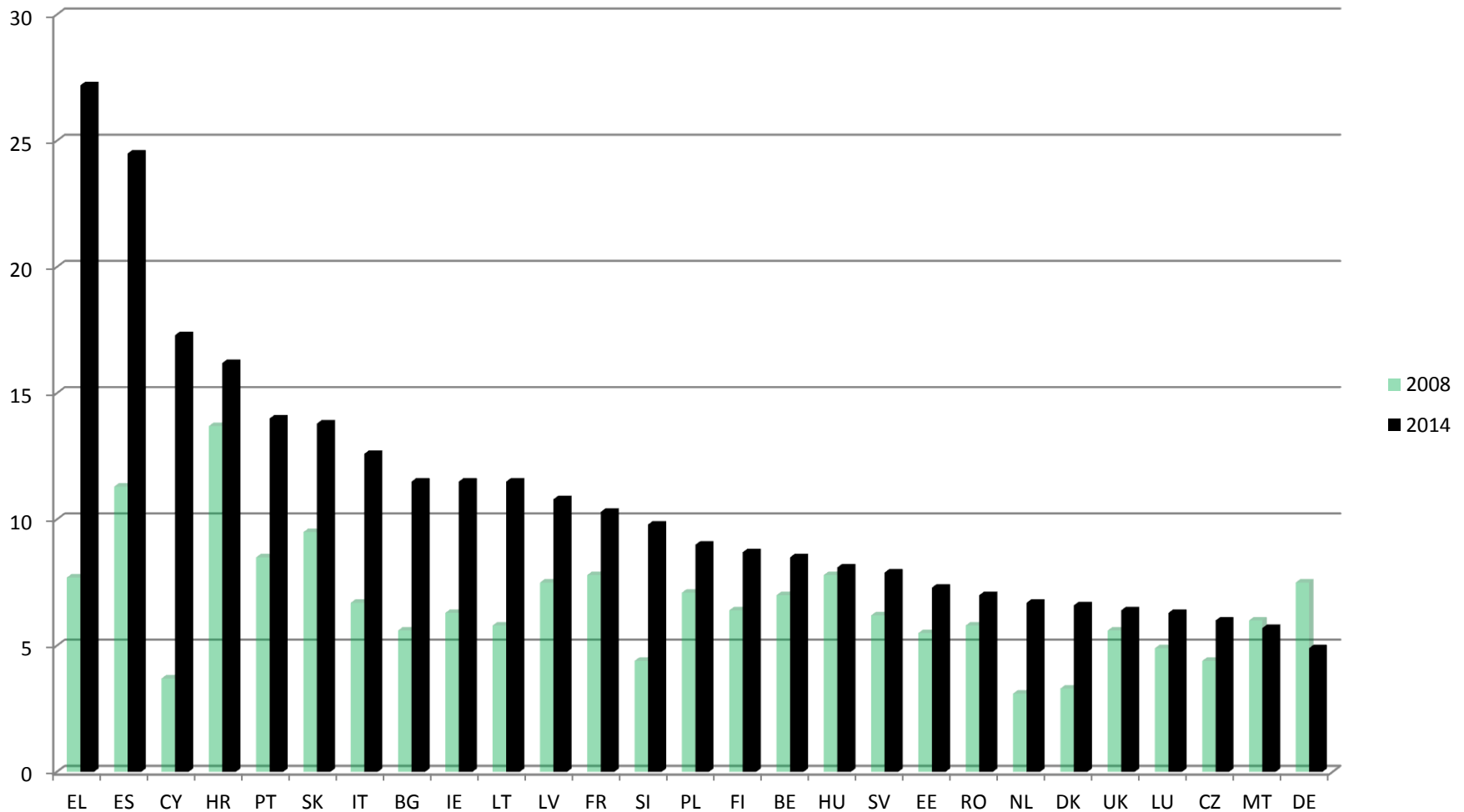
Commissioner	Key elements of mission
Dombrovskis	Engage broader range of actors at national level in economic governance; promote social dialogue; encourage further structural reforms; replace “troika”
Katainen	Deliver jobs and investment package; pursuit of a strong structural reform agenda all the while paying attention to the social impact of reforms
Moscovici	Finalise negotiations on Financial Transactions Tax and Common Consolidated Corporate Tax Base; fight against tax fraud, tax evasion and aggressive tax planning
Thyssen	Engage broader range of actors at national level in economic governance; Semester “should be vehicle for pursuing the modernisation of labour markets and social protection systems”; promote social dialogue at all levels

“Growth” and unemployment

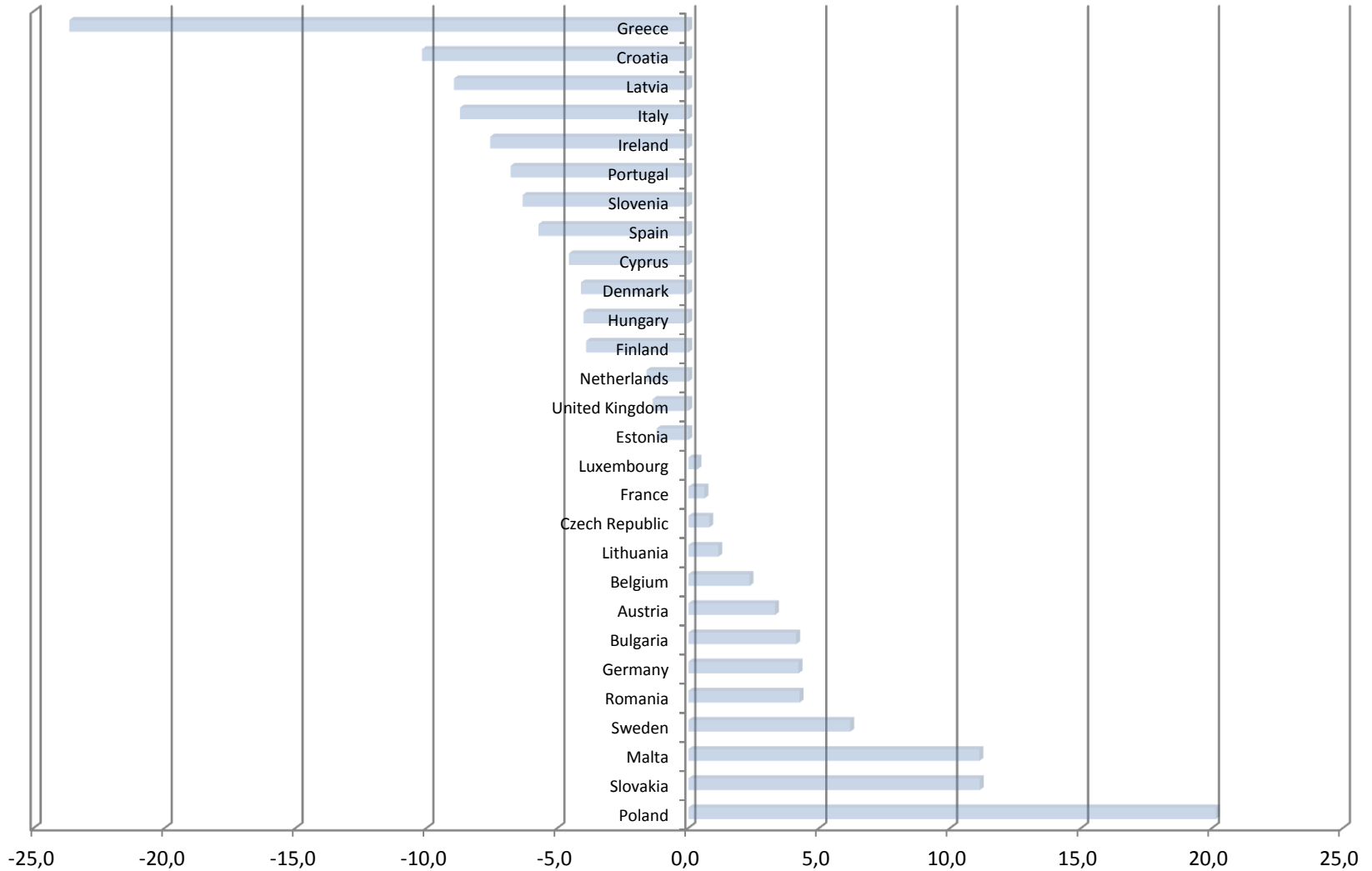


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Unemployment – 2008/2014



GDP change 2008-2013



Annual Growth Survey 2014



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Key points

- Recovery is expected to continue and become more robust in 2014
- The duration and depth of the crisis has created hardship across Europe and particularly in countries implementing adjustment programmes
- Signs of economic improvement should thus be taken as an encouragement to pursue efforts with determination, avoiding risks of fall-back, complacency or “reform fatigue.”

Annual Growth Survey 2014

Key points

- Need to consider fairness, clarity of goals and public acceptability
- Further progress is needed in the implementation of structural reforms
- Need for greater involvement of national parliaments, social partners and civil society in process in order to secure public understanding and acceptance of the necessary reforms

Annual Growth Survey 2014

Key points

- Improved fiscal and financial situation will allow for better design of consolidation programmes focusing on quality and impact on growth, public sector efficiency and social equity
- Giving priority to public spending that reinforces economic growth, potential tax cuts and reductions of social security contributions
- Member States need to find ways to protect or promote longer term investment in education, research, innovation, energy and climate action

Annual Growth Survey 2014

Key points

- Improve tax compliance, fight tax fraud and evasion, tackle aggressive tax planning and tax havens, improve efficiency of tax administration and simplify compliance procedures
- Need for training and lifelong learning, tackle gender pay, pensions and activity gaps
- Improve access to care services
- Stronger involvement of social partners in design and implementation of policy response

Annual Growth Survey 2014

Key points

- Modernise employment protection legislation
- Swift adoption of youth guarantee implementation plans
- Measures to tackle poverty and broad access to services including social and health services

Annual Growth Survey 2014

Key points

- Modernising public administration – one of the five main themes
- Do better with less – e-procurement, modernize tax collection, more cooperation between tax administrations
- Simplify the business environment, reduce red tape, lighter regulatory regimes particularly for small and medium-sized enterprises
- Improve judicial systems

Country-specific recommendations 2014



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Country-specific recommendations2014

Main issues for EPSU

- **Public budgets:** The emphasis is still very much on fiscal consolidation, with the focus on reducing spending. Although nine countries are encouraged to make their fiscal consolidation “growth-friendly”, only Germany is specifically encouraged to increase public investment.
- In a few other cases the approach was more about not reducing spending on education, innovation and research and development.

Country-specific recommendations2014

Main issues for EPSU

- **Health and long-term care:** This year 19 countries get a recommendation relating to health, hospital and/or long-term/elderly care. Unfortunately, the recommendations continue to be in the shadow of fiscal consolidation and so the emphasis is very much on “cost-effectiveness” and “sustainability” and in only five cases do the recommendations also acknowledge the crucial importance of accessibility and/or affordability and only one of these mentions quality of care.

Country-specific recommendations2014

Main issues for EPSU

- **Childcare:** Ten countries get recommendations on childcare which are positive in that they generally call for improvements to the accessibility and affordability of childcare although only three include a reference to quality. One concern is that the recommendations say nothing about the provision of good quality early years education.

Country-specific recommendations2014

Main issues for EPSU

Energy: Among the recommendations on energy for 18 countries there are several different elements including action to improve energy efficiency and increase cross-border connections. Several countries are also pressed to increase competition.

Country-specific recommendations2014

Main issues for EPSU

- **Public administration:** the recommendations cover a range of issues from procurement and corruption to the workings of the judiciary and the capacity and independence of the civil service. However, a major theme running through the recommendations is the call to reduce administrative “burdens” on business.

Country-specific recommendations2014

Main issues for EPSU

- **Public employment services:** 11 countries have recommendations referring to public employment services which mainly focus on improving the capacity and/or efficiency and effectiveness of the service.

Country-specific recommendations2014

Main issues for EPSU

Taxation: It is positive to see at least 13 countries being encouraged to improve tax collection, compliance and/or the efficiency of tax administration while only six countries are urged to tackle tax fraud.

Annual Growth Survey 2015



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Key points from Commission Document: *Legacy of the Crisis*

- In 2013, long-term unemployment (i.e. without work for 12 months or longer) exceeded 5% of the active population in 2013, almost double the rate of 2008
- ...economic recovery may not bring back in employment many of those who are currently long-term unemployed
- At EU level the share of involuntary part-time workers (i.e. who work part-time because they are unable to find full-time work) also increased strongly between 2007 (22.4%) and 2013 (29.6%)

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Key points from Commission Document: *Legacy of the Crisis*

- poverty defined in terms of **severe material deprivation** has also increased across Europe, and most strongly in those Member States most affected by the crisis (ES, IT, IE, MT, UK). In some Eastern/Southern countries where deprivation had been improving before the crisis, the trend reversed and material deprivation **increased dramatically** after the crisis (LT, LV, EE, CY, EL and to a lesser extent BG and HU).

Annual Growth Survey Consultation

Key points from Commission Document: *Legacy of the Crisis*

- there is evidence that unemployment among youth in the EU is less and less a 'temporary nuisance' as spells are becoming much longer than before...These so-called 'scarring effects' in early stage of a life or career can impact on future employment outcomes, earnings prospects, as well on health and general well-being

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Key points from Commission Document: *Legacy of the Crisis*

- household financial distress in 2014 is now way above the long term trend. Its recent easing in some Member States has not yet reached low-income households, who remain in the most acute financial situation

Annual Growth Survey Consultation

Key points from Commission Document: *Legacy of the Crisis*

- The share of the population with self-reported **unmet health care need** for medical examination or treatment increased between 2007 and 2011 in the majority of Member States. Despite greater needs in the wake of the crisis, many European governments have cut spending on healthcare services, especially in the countries most hit by the crisis since

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Key points from Commission Document: *Legacy of the Crisis*

- While employment protection legislation (EPL) has been an important component of recent labour market reforms, it is **difficult to measure the impact of any policy changes** given the very low level of labour demand in many countries, although there is some evidence indicating that selected EPL reforms have been followed by lower shares of temporary contracts and increased job-finding rates after a certain period. More generally, the OECD notes that "the evidence also suggests that reforms involving the relaxation of overly strict regulatory provisions on individual and collective dismissals are likely to **increase the number of dismissed workers**" while the ILO argues that there are signs that **more flexible labour markets (i.e. lower levels of EPL strictness) do not necessarily lead to reductions of unemployment.**

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Key points from Commission Document: *Legacy of the Crisis*

- Member States with high levels of spending on active labour market policies prior to the recession (e.g. DE, BE, IE, AT, FI, FR, NL, SE and DK) weathered it better than others
- Countries with higher levels of participation in lifelong learning for both the employed and unemployed (e.g. SE, NL, UK, AT, DK) also had better labour market performance in terms of higher transition rates out of unemployment and lower transition rates from employment into unemployment

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Key points from Commission Document: *Legacy of the Crisis*

- Countries where **social dialogue** is well-established and industrial relations systems are strong have proven most resilient during the recent downturn. We can expect social dialogue to play an important part in the durable recovery of the European economy, promoting win-win solutions and the ownership of labour market reforms.