AT A GLANCE

Broad Economic Policy Guidelines and Employment Guidelines

This short note gives an overview of the Broad Economic Policy Guidelines (BEPGs) and the Guidelines for Employment Policies as published by the European Commission on 2 March 2015.

The Broad Economic Policy Guidelines (BEPGs) and the Guidelines for Employment Policies lay down the scope and the direction of policy coordination of EU Member States. At the same time, they intend to support the goals of the EU2020 strategy, which form part of the European Semester.

Concerning the legal basis, the Treaty on the Functioning of the European Union (TFEU) contains two separate articles on BEPGs and on employment guidelines, Article 121 and Article 148 respectively. Given the two distinct articles, two legal instruments are used for their presentation: a Council Recommendation on BEPGs and a Council Decision on employment guidelines.

The process of the adoption of the guidelines is as follows. The Council, on the basis of a proposal from the Commission and on the basis of the conclusions of the European Council, adopts the decisions. In terms of the BEPGs, the Council must inform the European Parliament about the outcome, while in terms of the employment guidelines, Article 150 of the TFEU stipulates that the European Parliament must be consulted before their adoption. While the BEPGs remain valid for an indefinite period, the employment guidelines need to be drawn up and approved each year through the same procedure.

These so-called "integrated guidelines" are non-binding; however, their implementation is monitored in the context of the European Semester. The national reform programmes (submitted to the Commission each spring) are based on the guidelines. Therefore, they also serve as a reference for the Country Specific Recommendations, which are addressed to Member States following the assessment of their programmes. If the Commission finds that the economic policies of a Member State do not comply with the BEPGs or there is a risk they could compromise the functioning of the EMU, the Commission may issue a warning. The same does not apply to the employment guidelines. However, on the basis of the results of the examination, the Commission and the Council prepares a joint annual report on the employment situation in the EU, which includes a part on the implementation of the employment guidelines.

Draft 2015 "integrated guidelines"

The proposals for BEPGs and the employment guidelines, published by the Commission on 2 March, outline the 8 guidelines and the measures that should be taken in order to achieve them. The key elements of the proposals are the following:

1. **Boosting investment**: Member States' efforts should focus on mobilising finance for investment, making finance reach the real economy and improving the investment environment.
2. **Enhancing growth by the implementation of structural reforms**: Structural reforms should be properly implemented by Member States in product and labour markets and social welfare systems. In addition, stronger efforts should be made towards streamlining the regulatory environment and modernizing research and innovation systems.

3. **Removing key barriers to growth and jobs at EU level**: The Single Market needs to be further integrated. To make the EU's economy stronger and more competitive, a well-functioning Digital Single Market, a genuine Capital Markets Union and a strong Energy Union should be established.

4. **Improving the sustainability and growth-friendliness of public finances**: Long-term control over deficit and debt levels should be ensured by Member States, while making use of fiscal space where available to support growth and investment. Strategies should prioritise growth-enhancing expenditure in areas of education, employability and R&D. The reform of the revenue system should include a common consolidated corporate tax base, the shift of taxation from labour to consumption, broader tax bases and fight against tax fraud.

5. **Boosting demand for labour**: Member States should help job creation by reducing barriers for business, promote entrepreneurship and support the creation and growth of small enterprises. In addition, to make wages responsive to productivity developments, Member States should encourage wage-setting mechanisms.

6. **Enhancing labour supply and skills**: The necessary investments should be made in education and vocational training systems, while improving their effectiveness. Also, barriers to labour market participation should be reduced especially for women, older workers and young people and the national Youth Guarantee Implementation Plans should be followed through.

7. **Enhancing the functioning of labour markets**: It is essential to reduce labour market segmentation and strengthen active labour market policies. The mobility of workers should be ensured by enhancing the portability of pensions and the recognition of qualifications.

8. **Ensuring fairness, combating poverty and promoting equal opportunities**: Member States should modernise their social protection systems. The pension systems should be reformed by linking statutory retirement ages to life expectancy, increasing effective retirement age and developing complementary retirement savings.

**Next steps**

- The BEPGs and the employment guidelines are to be adopted by the Council in July.
- The EP is preparing a draft report on the employment guidelines (*Agea report*), which is expected to be adopted by EMPL on 16 June 2015.
- An oral question on the BEPGs will be submitted to the Commission by ECON before June.

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