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*Committee on Employment and Social Affairs*

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## **DRAFT REPORT**

on the European Semester for economic policy coordination: Employment and Social Aspects in the Annual Growth Survey 2014  
(2013/2158(INI))

Committee on Employment and Social Affairs

Rapporteur: Sergio Gutiérrez Prieto

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## MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

### on the European Semester for economic policy coordination: Employment and Social Aspects in the Annual Growth Survey 2014

(2013/2158(INI))

*The European Parliament,*

- having regard to Article 9 of the Treaty on the Functioning of the European Union (TFEU),
- having regard to Articles 145, 148, 152 and 153(5) TFEU,
- having regard to Article 28 of the Charter of Fundamental Rights of the European Union,
- having regard to the Commission communication of 13 November 2013 entitled ‘Annual Growth Survey 2014’ (COM(2013)0800), and to the draft Joint Employment Report annexed thereto,
- having regard to its resolution of 23 October 2013 on ‘the European Semester for economic policy coordination: implementation of 2013 priorities’<sup>1</sup>,
- having regard to the Commission communication of 2 October 2013 entitled ‘Strengthening the social dimension of the Economic and Monetary Union’ (COM(2013)0690),
- having regard to Oral Question O-000120/2013 to the Commission, and to Parliament’s related resolution of 21 November 2013 on the Commission communication entitled ‘Strengthening the social dimension of the Economic and Monetary Union (EMU)’<sup>2</sup>,
- having regard to the Commission communication of 3 March 2010 entitled ‘Europe 2020: A strategy for smart, sustainable and inclusive growth’ (COM(2010)2020),
- having regard to its legislative resolution of 8 September 2010 on ‘the proposal for a Council decision on guidelines for the employment policies of the Member States: Part II of the Europe 2020 Integrated Guidelines’<sup>3</sup>,
- having regard to the Commission communication of 18 April 2012 entitled ‘Towards a job-rich recovery’ (COM (2012)0173),
- having regard to Oral Question O-000120/2012 to the Commission, and to Parliament’s related resolution of 14 June 2012 on ‘Towards a job-rich recovery’<sup>4</sup>,
- having regard to the Commission communication of 23 November 2010 entitled ‘An

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<sup>1</sup> Texts adopted, P7\_TA(2013)0447.

<sup>2</sup> Texts adopted, P7\_TA(2013)0515.

<sup>3</sup> OJ C 308 E, 20.10.2011, p. 116.

<sup>4</sup> OJ C 332 E, 15.11.2013, p. 81.

Agenda for new skills and jobs: A European contribution towards full employment' (COM(2010)0682), and to Parliament's resolution of 26 October 2011 thereon<sup>1</sup>,

- having regard to the Commission communication of 16 December 2010 entitled 'The European Platform against Poverty and Social Exclusion: A European framework for social and territorial cohesion' (COM(2010)0758), and to Parliament's resolution of 15 November 2011 thereon<sup>2</sup>,
  - having regard to the Commission communication entitled 'Youth Opportunities Initiative' (COM(2011)0933),
  - having regard to its resolution of 20 November 2012 on 'the Social Investment Pact – as a response to the crisis'<sup>3</sup>,
  - having regard to the Commission communication of 20 February 2013 entitled 'Towards Social Investment for Growth and Cohesion – including implementing the European Social Fund 2014-2020' (COM(2013)0083),
  - having regard to Oral Question O-000057/2013 to the Commission, and to Parliament's related resolution of 12 June 2013 on the Commission communication 'Towards Social Investment for Growth and Cohesion – including implementing the European Social Fund 2014-2020'<sup>4</sup>,
  - having regard to Rule 48 of its Rules of Procedure,
  - having regard to the report of the Committee on Employment and Social Affairs (A7-0000/2013),
- A. whereas the recession in the eurozone came to an end, numerically speaking, in the second quarter of 2013, but whereas annual growth in the eurozone will remain negative this year and unemployment and inequality are at a record high; whereas growth needs to be further enhanced for this to be considered a long-lived recovery, and in order to generate the necessary momentum to relieve the EU of its socioeconomic challenges;
- B. whereas unemployment in the EU has reached the alarming figure of 26.6 million<sup>5</sup> whereas long-term unemployment has risen in most Member States and reached an all-time high in the EU as a whole; whereas the decline in employment has been more pronounced in those countries which are undertaking more substantial fiscal consolidation;
- C. whereas youth unemployment rates have reached unprecedented levels, averaging 23 % for the EU as a whole, and whereas in some Member States the unemployment rate among young people aged 16 to 25 is higher than 50 %; whereas the labour market situation is particularly critical for young people, regardless of their level of education, who often end

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<sup>1</sup> OJ C 131 E, 8.5.2013, p. 87.

<sup>2</sup> OJ C 153 E, 31.5.2013, p. 57.

<sup>3</sup> Texts adopted, P7\_TA(2012)0419.

<sup>4</sup> Texts adopted, P7\_TA(2013)0266.

<sup>5</sup> *EU Employment and Social Situation: Quarterly Review*, October 2013.

up either unemployed or with precarious employment contracts or unpaid traineeships;

- D. whereas long-term unemployment is on the rise, resulting in structural unemployment; whereas labour market segmentation has continued to increase, average household incomes are declining in many Member States and indicators point to a trend of higher levels and deeper forms of poverty and social exclusion, including in-work poverty;
- E. whereas the high – and, in some cases, growing – tax wedge, especially for low-wage- and second-income-earners, remains an issue in a considerable number of Member States and is increasing inequality; whereas the International Monetary Fund (IMF) recently pointed out that there is scope to tax better and more progressively in order to enhance the legitimacy of the consolidation effort while doing more to promote growth and bring in additional revenue along the way; whereas there is a need to shift the tax burden away from labour towards other forms of sustainable tax;
- F. whereas the effects of the crisis and of the excessive fiscal consolidation policies pursued in recent years have resulted in an unprecedented and growing divergence in output and employment between core and periphery countries; whereas the core-periphery gap in unemployment rates reached 10 percentage points in 2012, compared with only 3.5 percentage points in 2000; whereas that divergence is forecast to peak this year;
- G. whereas systematic errors in the Commission’s economic forecasts for growth and unemployment in recent years demonstrate the need for a change of diagnosis and strategy with a view to ending the crisis; whereas the pace of fiscal consolidation has slowed, yet the deflationary impact of certain structural reforms, mostly focusing on external demand, are having the same severe effects on internal demand, with stagnant investment and growth and weak job creation;
- H. whereas certain macroeconomic imbalances, for instance in the area of external competitiveness, have improved, although internal imbalances between Member States have been exacerbated; whereas evidence shows that a one-size-fits-all policy that relies on external demand and squeezes internal demand is not possible for all eurozone members at the same time; whereas this is heightening the (underestimated) negative impact of simultaneous austerity programmes, thereby depressing internal demand and resulting in over-reliance on demand from third economies, at a time when there are signs of a weakening outlook for emerging economies;
- I. whereas the focus on speed and intensity in pursuing structural reforms has been asymmetrical among Member States, being much more demanding for periphery countries than for core countries, a situation which is liable to exacerbate imbalances in growth creation in the EU;
- J. whereas the greatest challenge facing the eurozone at the moment is the growing socioeconomic divergences between Member States; whereas the severe unemployment and social problems currently faced may spill over to other Member States through internal trade, with the erosion of human capital resulting in a deterioration in long-term international competitiveness, a situation that may lead to a deterioration in the economic fundamentals of the EU as a whole; whereas it is in the interest of all Member States to ensure that employment and social challenges are addressed in a timely and effective

manner;

- K. whereas in many Member States private debt (household and corporate) exceeds 200 % of GDP; whereas private deleveraging is all the more difficult in a context of public deleveraging; whereas, worryingly, this is a drag on growth and job creation in the EU;
- L. whereas SMEs constitute the backbone of the EU economy but remain worryingly over-indebted and continue to face the highest credit costs and the contraction of credit availability; whereas smaller businesses in the periphery countries are paying between 4 and 6 percentage points more for bank lending than their counterparts in central Europe, putting them at a significant disadvantage and thus hampering the region's prospects for balanced economic growth and job creation;
- M. whereas investment in education and training, research and innovation – key areas for economic growth and job creation – in the EU is still lower than among its main economic partners and competitors elsewhere in the world; whereas productive investment in these areas is essential for a sustainable exit from the crisis;
- N. whereas a coherent policy mix combining macroeconomic policies, structural policies, sound labour market institutions, unsegmented labour markets, coordination of collective bargaining and well-resourced welfare systems (which serve as automatic stabilisers) is essential in absorbing cyclical shocks;
- O. whereas since 2010 there has been a growing divergence in the capacity of national fiscal stabilisers to counteract the economic crisis and its employment and social consequences, with this capacity having practically disappeared in those countries hit hardest by the crisis; whereas household incomes, and thus domestic demand, have consequently been less well protected than before, further aggravating the recession; whereas Parliament's Committee on Employment and Social Affairs held a public hearing on 9 July 2013 on 'The social dimension of the EMU – European unemployment benefit scheme', which identified the need for automatic stabilisers at the eurozone level;
- P. whereas poverty levels have been increasing at alarming rates since 2007, such that 24.2 % of the EU population is currently at risk of poverty or social exclusion; whereas social protection expenditure has decreased in nearly all the Member States, and whereas the Social Protection Committee (SPC) is warning that increasing numbers of people are at risk of income poverty, child poverty, severe material deprivation and social exclusion because of the impact of fiscal consolidation measures;
- Q. whereas, despite the urgency of the situation, the EU is failing to achieve almost all of the Europe 2020 targets, and whereas progress in the Member States in delivering on the Europe 2020 objectives has been disappointing; whereas the commitments made in the 2013 national reform programmes are insufficient to meet most of the EU-level targets;
- R. whereas it is essential to foster democratic accountability, ownership and legitimacy of all actors involved in the European Semester; whereas the appropriate involvement of Parliament is a crucial part of this process; whereas national parliaments are the representatives and guarantors of the rights acquired and delegated by citizens; whereas the introduction of the European Semester should fully respect the prerogatives of national

parliaments;

## **SOCIAL INDICATORS**

1. Welcomes the fact that this year, for the first time, the draft Joint Employment Report annexed to the Annual Growth Survey (AGS) includes a scoreboard for employment and social policies, which will help to strengthen the monitoring of employment and social developments as part of macroeconomic surveillance within the European Semester; considers that this represents an acknowledgment of the need to reinforce the social dimension of the Economic and Monetary Union, which is not only desirable, but also necessary in order to address the crisis and prevent serious socioeconomic divergences in the eurozone, thereby enhancing its sustainability;
2. Considers it regrettable, however, that these indicators have not been made binding, unlike the Macroeconomic Imbalance Procedure scoreboard; asks the Commission to remedy this situation, which does not reflect the need to put macroeconomic and social aspects on an equal footing as part of the European Semester process; considers this situation particularly worrying in the light of the growing social and employment imbalances in the EU;
3. Considers it regrettable that the employment and social indicators proposed by the Commission are insufficient to cover the Member States' employment and social situations comprehensively; calls for the scoreboard to include additional indicators, in particular child poverty levels, a decent work index and a European living wage index, in order to allow proper assessment of the social situation in the EU;
4. Calls on the Commission to use the social scoreboard not only as an analytical tool, but also as a basis for developing concrete indications for the Member States as to how they can fight or prevent unemployment, reduce social inequality, promote active inclusion and prevent social dumping, which would then feed into the design and implementation of the 2014 country-specific recommendations (CSRs) within the European Semester process;
5. Calls on the Council to define concrete benchmarks for employment and social indicators, in the form of an EU social protection floor, in order to trigger timely activation measures at EU level;

### **Meetings of Eurogroup employment and social affairs ministers**

6. Highlights the importance of the Eurogroup employment and social affairs ministers meeting prior to Euro Summits, so as to ensure that social and employment concerns are addressed more fully in the discussions and decisions of the eurozone authorities and with a view to contributing to the meetings of heads of state and government of the eurozone ;

## **THE NEED TO RE-STIMULATE INTERNAL DEMAND AND CREATE QUALITY JOBS THROUGH PRODUCTIVE INVESTMENT AND INCREASED PRODUCTIVITY**

7. Warns that until now the new Macroeconomic Imbalance Procedure has been invoked mainly to urge countries to improve their competitiveness, thereby contributing to

deflationary pressures in southern Europe, without requiring the same emphasis on creating inflationary pressures, via wage increases, in those countries with the necessary room for manoeuvre to do so; warns that using the same tools to seek growth via the external sector for all eurozone countries reduces the expected net results by growing external demand at the expense of internal demand;

8. Calls on the Commission to have a more ambitious focus on re-stimulating internal demand, which remains stalled and will be key to creating sustainable jobs and productivity and avoiding deflationary risks;

#### **A pact to increase investment and productivity in the EU**

9. Points out that, while structural reforms may bear fruit in the medium to long term, the need to stimulate the EU's internal demand requires the Commission and the Council to put in place, as a matter of urgency, an ambitious, coordinated investment plan in order to sustain growth and quality jobs in the short term and enhance potential in the medium term; notes that the main objectives have already been defined in the Europe 2020 strategy and in the Compact for Growth and Jobs agreed in June 2012, but that financing must be stepped up;
10. Stresses that in the medium to long term the EU's competitiveness can be boosted primarily through productivity-enhancing investments in education, R&D and continuous innovation; considers that these are the drivers that would make the EU a preferred destination for global enterprises, an exporter of high-value-added products and services and a provider of high-quality jobs;
11. Is concerned that more than 20 Member States have reduced education expenditure in relative terms (as a percentage of GDP), thereby jeopardising their growth and jobs potential and their competitiveness; points out that reducing such investment will increase the EU's structural weakness, given the mismatch between the growing need for high-skilled workers and the fact that in many Member States a high proportion of the workforce is currently low-skilled;
12. Welcomes the fact that in the AGS 2014 the Commission calls on the Member States to protect or promote longer-term investment in education, research and innovation, energy and climate action; considers this insufficient, however, to allow Member States with already-constrained budgets to accomplish that goal; calls on the Commission to explore and promote the necessary reforms to exclude productive investments, for instance in education, and research and development, from the deficit targets established under EU rules so as to ring-fence them, given their potential to generate growth and jobs;
13. Calls for stronger support from the European Investment Bank and for the release of EU funds to support urgent investment plans; notes that project bonds already provide a mechanism for supporting investment, but regards the eurozone's weak growth and job creation rate as evidence that it should be more ambitious with a view to developing the necessary public and coordinated investments;

#### European funds

14. Points out that, at a time of severe fiscal constraint and reduced lending capacity in the private sector, the Structural Funds and the Cohesion Fund, thanks to their financial scale and the objectives pursued, represent an essential lever at the Member States' disposal for stimulating the economy and helping to deliver on the Europe 2020 growth and employment objectives; stresses, in this connection, that in view of the key role played by cohesion policy in the development of national programmes within the framework of the European Semester, this policy should be a prime focus of the AGS 2014;
15. Considers that cohesion policy is essential in helping to reduce internal competitive disparities and structural imbalances; calls on the Commission, as a matter of urgency, to reprogramme unspent structural funding in favour of youth employment programmes and SMEs; calls on the Commission to find special solutions for those countries with very high unemployment rates which will be forced to return EU funds on account of co-financing problems; asks the Commission, to this end, to explore the possibility of excluding Member States' participation in the co-financing of EU funds or programmes (under heading 1 ('Sustainable growth') of the Multiannual Financial Framework (MFF)) from the calculation of their structural deficit as defined in the two-pack;
16. Calls on the Commission to apply the frontloading principle to all funds for the 2014-2020 period for those Member States which have the highest levels of unemployment and are going through processes of deep fiscal consolidation, especially as regards programmes to boost economic growth, employment and strategic investment;
17. Considers that at least 25 % of national cohesion funds should be used for specific programmes under the European Social Fund in those Member States with the highest levels of unemployment and poverty;

#### **Quality jobs and decent salaries with a view to increasing productivity**

18. Is concerned that the Commission's strategy of restoring EU competitiveness through an excessive adjustment of unit labour costs via salary reductions has sharply eroded the purchasing power of many EU workers, lowered household incomes and depressed internal demand, further fuelling unemployment and social exclusion, particularly in those countries hit hardest by the crisis; points out that a transversal policy for restoring competitiveness must also contemplate strategies focusing on other production costs, price developments and profit margins;
19. Welcomes the Commission's recommendations to core countries with the necessary room for manoeuvre to pursue expansionary policies via wage increases; calls on the Commission to make ambitious recommendations which will help to lower the excessive deflationary pressures on southern Europe and to avoid the risk of exacerbating imbalances in growth and job creation in the eurozone;
20. Notes that the Commission, in its 2014 draft Joint Employment Report 2014, points out that unit labour cost reductions and wage moderation have fed into price developments only slowly and incompletely, in part because of simultaneous hikes in indirect taxes and administered prices owing to fiscal consolidation;
21. Notes that decent wages are important not only for social cohesion and fairness in society,

but also for maintaining a strong economy; calls on the Commission to propose measures that tackle inequality and guarantee decent pay; calls on the Member States to combat in-work poverty by pursuing labour market policies aimed at ensuring a living wage for those in work;

22. Calls on the Commission to explore the possibility of reducing pressure on wages through minimum-wage schemes, which can be different in each country so as to reflect median wage ratios and differing levels of productivity; points out that such a measure may make it possible to reduce deflation risks and inequality and to limit nominal imbalances in competitiveness and current accounts;
23. Stresses that job quality is essential in a knowledge-intensive economy in order to promote high labour productivity and rapid innovation by means of a skilled, adaptable, committed workforce with decent health and safety standards, a sense of security and reasonable working hours; considers that this is not given sufficient emphasis in the AGS 2014, and calls on the Commission to remedy the situation in the 2014 CSRs; believes that policy guidance should focus in particular on workers' access to a core set of labour rights, as enshrined in the Treaties and without prejudice to the Member States' legislation;

#### **Refocusing on private debt reduction: one of the major drags on European growth and job creation**

24. Stresses that excessive fiscal consolidation has led to an excessive focus on public debt deleveraging, which has hampered private-sector debt reduction; notes that, while the AGS emphasises the risks of high public debt, the IMF has already warned that the main drag on European growth and job creation is in fact private debt (household and corporate);
25. Stresses that a sustainable exit from the crisis requires effective measures to address the debt overhang, the domestic liquidity shortage and the investment slump; recalls that private debt sustainability is a precondition for investment, growth and job creation; calls on the Commission to introduce measures allowing orderly debt restructuring, particularly for households and SMEs;
26. Warns that SMEs face the highest credit costs and an ever-growing contraction of credit availability; stresses that this is not only hampering growth and job creation in the EU, given SMEs' considerable potential to create new jobs, but is also exacerbating imbalances in the eurozone, since there has been a worrying accentuation of differences in the cost of bank lending between core and periphery countries; welcomes the fact that the importance of access to finance for SMEs has been recognised, and urges the Member States to make access to finance for SMEs an absolute priority in their national growth plans; urges the Member States to provide easy access to the EU funds earmarked for that purpose;
27. Calls on the Commission to engage with the Member States in the creation of recyclable-loan vehicles, funded by a combination of official and private resources and/or supported by guarantees issued by European institutions, such as the European Investment Bank, in order to help restore liquidity to households and SMEs as a matter of urgency;

28. Calls for the strengthening of alternative sources of financing for the private sector, such as strong cooperative or public development banks, which can promote the channelling of liquidity to the real economy and adequate project and development financing;

## **REFORMS TO ENHANCE QUALITY LABOUR PARTICIPATION**

29. Calls on the Commission to make mandatory the presentation of national general and youth employment plans in the 2014 CSRs; considers it regrettable that, despite Parliament's repeated requests, a significant number of Member States did not present such plans in 2013;
30. Considers it regrettable that the Council failed to take account of Parliament's call for a focus on job quality in its guidance for 2013; calls on the Commission to include job quality, training, access to lifelong learning, core workers' rights, and support for labour market mobility and self-employment through increased security for workers in the CSRs based on the AGS 2014;
31. Stresses that labour market reforms should focus on increasing labour productivity and efficiency in order to boost the EU's economic competitiveness and allow sustainable growth and job creation, while strictly respecting both the letter and the spirit of the European social *acquis* and its principles; believes that labour market reforms should be implemented in such a way as to promote job quality;
32. Believes that structural labour market reforms should introduce internal flexibility in order to maintain employment in times of economic disruption, and should ensure job quality, security in employment transitions, the provision of unemployment benefit schemes that are based on activation requirements and linked to reintegration policies which maintain work incentives while ensuring a decent income, and the establishment of contractual arrangements which combat labour market segmentation, anticipate economic restructuring and ensure access to lifelong learning;
33. Is concerned that the easing of conditions allowing firms to opt out of higher-level collective bargaining agreements and to review sectoral wage agreements implies the exclusion of a large number of workers from their right to collective bargaining;
34. Stresses the importance of active labour policies in the current context; is deeply concerned that several Member States, despite rising unemployment rates, have reduced budget allocations to finance active labour policies; calls on the Member States to increase the coverage and effectiveness of active labour market policies, in close cooperation with the social partners;
35. Calls on the Commission to design tailor-made policies to support job creation for the long-term unemployed, senior unemployed people, women and other priority groups hit especially hard by the crisis, such as immigrants and people with disabilities;

### Youth unemployment

36. Is deeply concerned that, once again, youth unemployment rates are continuing to rise; notes that the situation of unemployed young people is particularly worrying; calls,

therefore, on the Commission and the Member States to take urgent action in this connection; calls for a European Pact for Youth Employment to implement long-agreed measures, and for new resources and measures to be committed with a view to tackling youth unemployment and reducing the number of young people not in employment, education or training (NEETs), taking into account the qualitative aspect of decent work that fully respects core labour standards;

37. Welcomes the adoption of the Youth Guarantee by the Council and the earmarking of EUR 6 billion for the Youth Employment Initiative under the next MFF; calls on the Member States to implement youth guarantee schemes as a matter of urgency, and to use the available resources efficiently, concentrating on those in the most difficult situations;
38. Notes with satisfaction that these funds can be used during the first two years of the next financial framework; recalls, however, that this amount is insufficient to combat youth unemployment in a lasting manner and should form an initial tranche with which to combat youth unemployment; emphasises that the International Labour Organisation (ILO) has calculated that EUR 21 billion is needed to implement an effective programme to combat youth unemployment in the eurozone alone; calls on the Commission to make the Youth Guarantee a priority and to increase the available budget in the promised mid-term review of the MFF;
39. Calls on the Commission and the Council to ensure that Member States subject to the excessive deficit procedure also have the fiscal space to make use of these measures, in particular by temporarily exempting Member States' co-financing of measures to combat youth unemployment from the calculation of excessive deficits;
40. Calls on the Commission to propose a quality framework for traineeships, comprising, inter alia, criteria for proper remuneration, learning outcomes, working conditions and health and safety standards; calls on the Commission, the Member States and the European social partners to implement the Alliance for Apprenticeships in an ambitious manner;

### **Labour mobility**

41. Believes that given the number of workers, particularly young people, departing their countries of origin for other Member States in search of employment opportunities, there is an urgent need to develop appropriate measures with a view to amending EU legislation in order to guarantee the portability of pension rights and the continuation of employment benefits for at least three months while the recipient is looking for work in another Member State;
42. Welcomes the Commission's intention to build on the European Job Mobility Portal (EURES) by intensifying and broadening its activities and, in particular, by promoting youth mobility; calls for a specific strategy to be drafted to this end, in conjunction with the Member States; also observes, however, that mobility must remain voluntary and must not limit efforts to create jobs and training places on the spot;
43. Notes that single market legislation is generally a topic for the EU-28, but, given that the need for integration is much more significant in the euro area, calls on the Commission to

explore the possibility for EMU members to engage in enhanced cooperation with a view to adopting legislation that fosters intra-EMU labour mobility more quickly and efficiently (e.g. relating to the portability of supplementary pension rights or the adoption of a cooperation agreement between EMU national employment agencies);

### **Fairer taxation systems**

44. Notes that income inequality is growing across and within the Member States, particularly in the south of the EU and on its periphery; further notes that in many countries the crisis has intensified the long-term trends of wage polarisation and labour market segmentation, which, together with less redistributive tax and benefit systems, have fuelled rising inequality;
45. Stresses that the high – and, in some cases, growing – tax wedge, especially for low-wage- and second-income-earners, remains an issue in a considerable number of Member States; notes, however, that only a few countries have taken steps to address this problem, not least on account of the limited fiscal margin;
46. Is concerned that in the AGS 2014 the Commission supports further increases in indirect taxes, which are generally less progressive than direct taxes; calls on the Commission to take note of the IMF's October 2013 tax report, which points out that there is scope to tax better and more progressively in order to enhance the legitimacy of the consolidation effort while doing more to promote growth and bring in additional revenue along the way;
47. Supports the Commission's call to shift the tax burden away from labour and suggests shifting it towards other forms of sustainable tax such as a harmonised corporate tax, the financial transaction tax (FTT) and carbon taxes;
48. Calls on the Member States to adopt measures favourable to job creation, such as labour tax reforms that provide employment incentives, support voluntary self-employment and promote business in strategic sectors;
49. Notes the importance of reducing taxation on labour, especially through well-targeted temporary reductions in social security contributions or job subsidy schemes for new recruits, especially low-paid and low-skilled workers, the long-term unemployed and other vulnerable groups, while ensuring the long-range sustainability of public pension systems;
50. Stresses the importance of taking effective steps to fight undeclared work, false self-employment and tax fraud, particularly in the current context of fiscal consolidation, in order to protect workers and revenues and maintain public confidence in the fairness and effectiveness of tax systems;

## **SOCIAL TRENDS AND THE SUSTAINABILITY OF SOCIAL PROTECTION SYSTEMS**

### **Poverty and social exclusion must be reduced**

51. Is concerned about the increase in poverty among all age groups since the 2013 European

Semester cycle; notes that poverty and social exclusion among 18- to 64-year-olds has increased significantly in two thirds of the Member States in recent years, mainly because of rising levels of jobless or low-work-intensity households and in-work poverty; notes that the risk of poverty and social exclusion in 2012 was much higher (48.8 %) for third-country nationals (aged 18 to 64) than for EU nationals;

52. Welcomes the recognition in the AGS 2014 of the need to tackle the social consequences of the crisis and ensure the financial sustainability of social protection; calls on Member States to reinforce safety nets, ensure the effectiveness of welfare systems and invest in preventive measures; urges the Commission to take account of the impact of the economic adjustment programmes on progress towards the Europe 2020 headline targets in those Member States experiencing financial difficulties and to agree on modifications aimed at bringing the adjustment programmes into line with the Europe 2020 objectives;

### **Sustainable pensions**

53. Takes note of the CSR proposal for many Member States regarding pension reforms; considers it regrettable that the Commission's recommendations were made without reference to Parliament's recommendations in the Green and White Papers on pensions; stresses that pension reforms require national political and social cohesion and must be negotiated with the social partners to be successful;

54. Stresses the need to carry out the necessary reforms to guarantee the sustainability of pension systems; believes that it is possible to raise the actual retirement age without raising the mandatory retirement age, by reducing the number of people leaving the labour market early; believes that in order to raise effective retirement ages successfully, pension reforms need to be accompanied by policies that limit access to early retirement schemes and other early exit pathways, develop employment opportunities for older workers, guarantee access to life-long learning, introduce tax benefit policies offering incentives to stay in work longer, and support active healthy ageing;

55. Is concerned about the risk of inadequate pensions for a generation of young Europeans who are currently unemployed or in precarious jobs and who will face an ever-higher retirement age and increasing pension calculation periods;

### **European social stabilisers**

56. Notes that social protection and social policy, in particular unemployment benefits, minimum income support and progressive taxation, initially helped to reduce the depth of the recession and stabilised labour markets and consumption; stresses, however, that the capacity of these crucial economic and social stabilisers has been reduced to its absolute minimum owing to austerity measures in those Member States in which such stabilisers are most needed; notes that household incomes and domestic demand have consequently been less well protected, which has aggravated the recession in the countries concerned;

57. Stresses that social policies and social standards have been widely used as adjustment factors by those EMU members experiencing negative economic shocks; notes that such internal devaluations have had drastic social consequences for national welfare states and their citizens, resulting in a social emergency in many Member States;

58. Considers it regrettable that the AGS 2014 does not mention European social stabilisers; stresses the importance of this type of mechanism in a context of constrained breathing space for national budgets in the EMU; recalls the importance of such stabilisers in dealing with asymmetrical shocks, in avoiding excessive depletion of national welfare states and thus in strengthening the sustainability of the EMU as a whole; reiterates its call on the Commission to produce a Green Paper on automatic stabilisers in the eurozone;
59. Invites the December 2013 European Council to define concrete steps forward in terms of building a genuine social and employment pillar as part of the EMU on the basis of the Community method and to elaborate further on the modalities of introducing a European unemployment benefit scheme as an automatic stabiliser for the eurozone;

#### **DEMOCRATIC LEGITIMACY AND SOCIAL DIALOGUE NEED TO BE STRENGTHENED**

60. Stresses that all labour market reforms should be based on reinforced coordination of social dialogue at EU level;
61. Stresses that the Troika has confirmed that high-quality participation by the social partners and strong social dialogue, including at national level, are essential for the success of any reforms, and that in reforms of the EMU in particular, the role of the social partners in the new economic governance process, especially the European Semester, should be reinforced; welcomes the Commission's proposal to involve the social partners more fully in the European Semester process, inter alia in the framework of the Social Dialogue Committee prior to the annual adoption of the AGS;
62. Calls on the European Council and the Member States to ensure that national and regional parliaments, social partners, public authorities and civil society are closely involved in the implementation and monitoring of policy guidance under the Europe 2020 strategy and its economic governance process, in order to ensure ownership; calls on the European Council and the Commission to incorporate the monitoring and evaluation of the Europe 2020 employment, social and education goals more effectively into the 2014 European Semester;
63. Instructs its President to forward this resolution to the Council and the Commission.

**ANNEX TO THE MOTION FOR A RESOLUTION:  
SPECIFIC RECOMMENDATIONS TO BE ADOPTED BY THE EUROPEAN  
COUNCIL IN ITS POLICY GUIDANCE**

**Recommendation 1: on Social Indicators**

*The European Parliament considers that the yearly policy guidance to be adopted by the European Council on the basis of the AGS should aim to:*

The Commission should make the social indicators binding in order to put them in the necessary equal footing with the Macroeconomic Imbalance Procedure scoreboard.

The Commission should include supplementary indicators in the scoreboard, in particular child poverty levels, a decent work index and a European living wage index, in order to allow for proper assessment of the social situation in Europe;

The Commission should use the social scoreboard not only as an analytical tool but also as a basis to develop concrete indications for Member States on how to fight or prevent unemployment, reduce social inequalities and promote active inclusion and prevent social dumping, which would then feed into the design and implementation of the Country Specific Recommendations 2014 ;

The Council should define concrete benchmarks for the employment and social indicators in the form of a EU social protection floor in order to trigger timely activation measures at EU level;

**Recommendation 2: Eurogroup at the employment and social affairs ministers level**

*The European Parliament considers that the yearly policy guidance to be adopted by the European Council on the basis of the AGS should aim to:*

The Eurogroup should meet at the level of the Employment and Social Affairs Ministers prior to Euro summits, in order to better integrate social and employment concerns in the discussions and decisions of the euro area authorities, and to give their contribution to the meetings of the Heads of State and Government of the euro area;

**Recommendation 3: A Pact to Increase Investments and Productivity in the EU**

*The European Parliament considers that the yearly policy guidance to be adopted by the European Council on the basis of the AGS should aim to:*

The Commission should focus in a more ambitious manner on re-stimulating internal demand which remains stalled and which will be key to create sustainable jobs and productivity as well as to avoid deflationary risks;

The Commission and the Council should urgently put in place an ambitious investment coordinated plan and step financing, in order to sustain growth and quality jobs in the short term, as well as to enhance potential in the medium term in accordance with the objectives defined in the Europe 2020 Strategy and in the Compact for Growth and Jobs agreed upon in June 2012

Member States should protect and promote investments in education, research and innovation. Calls on the Commission to explore and promote the necessary reforms to exclude these productive investments from deficit targets established in the EU rules in order to ring fence them, given their potential to generate growth and jobs;

The commitments set in the National Reform Programmes 2014 must be sufficient to meet the Europe 2020 objectives.

Member States should earmark more effectively the use of their national budgets to the achievement of Europe 2020 Strategy's objectives.

**Europeans Funds**

*The European Parliament considers that the yearly policy guidance to be adopted by the European Council on the basis of the AGS should aim to:*

In view of the key role played by cohesion policy in the development of national programmes within the framework of the European Semester, this policy should be a prime focus of the AGS 2014; The Commission should guarantee that a sufficient level of EU funds is devoted to the achievement of the Europe 2020 objectives;

The Commission should urgently reprogramme the unspent Structural Funds in favour of youth employment programs and SMEs. Calls on the Commission to find special solutions to those countries with very high rates of unemployment, that, due to co-financing problems, will be forced to return the European funds. In this sense asks the Commission to explore the possibility of excluding Member States participation in cofinancing of EU funds or programs, within the heading 1 ‘sustainable growth’ of the Multiannual Financial Framework, from the calculation of the structural deficit as defined in the two-pack;

The Commission should apply frontloading principle to all the funds for the period 2014-2020 for those Member States with the highest levels of unemployment and which are going through deep processes of fiscal consolidation, especially for the programmes to boost economic growth, employment and strategic investments;

At least 25% of national cohesion funds should be used to specific programmes from the European Social Fund in those Member States with the highest levels of unemployment and poverty.

#### **Recommendation 4: Quality Jobs and Decent Salaries to increase productivity**

*The European Parliament considers that the yearly policy guidance to be adopted by the European Council on the basis of the AGS should aim to:*

##### **Unit Labour Costs, production costs and profit margins**

The European Commission should take note that recovering European competitiveness on the basis of an excessive adjustment of unit labour costs via salary reductions have caused sharp erosions in the purchasing power of many EU workers, declined household incomes, depressed internal demand, and hence refuelled unemployment and social exclusion, particularly in those countries most hardly hit by the crisis; Asks the Commission to re-dress this situation.

A transversal policy to regain competitiveness must also contemplate strategies over other production costs, price developments and profit margins;

The Commission should pursue a more balanced exit to the crisis and put ambition on the recommendations to core countries with margin of manoeuvre to pursue expansionary policies via wage increases which will help lower the excessive deflationary pressures on Southern Europe and will help to avoid the risks of exacerbating imbalances in growth and job creation in the Eurozone;

The Commission should take note that the current strategy of improving external competitiveness, contributing to deflationary pressures for all Eurozone countries at the same time minimises the foreseen net results in terms of growing external demand at the expense of internal demand;

##### **Salaries and Decent pay**

The Commission should propose measures that tackle inequalities and guarantee decent pay. Calls on Member States to combat in-work poverty by pursuing labour-market policies which aim at ensuring living wages for those in work ,which is not only important for social cohesion and fairness in society, it is also important for maintaining a strong economy.

The Commission should explore reducing pressure on wages through minimum-wage schemes allowing them to be different in each country in regards to its median wage ratio and reflecting different levels of productivity, which could allow reducing deflation risks, reduce inequalities, limit nominal competitiveness and current account imbalances;

### Job Quality

Recommends to put more emphasis in the Commission's CSR 2014 on job quality which is essential in a knowledge intensive economy to promote high labour productivity and rapid innovation based on a skilled, adaptable, committed workforce, with decent health and safety standards, a sense of security and reasonable working time. Policy guidance should focus in particular in relation to workers' access to a core set of labour rights, as enshrined in the Treaties, and without prejudice to the Member States' legislation;

Combat the existence and proliferation of precarious job conditions and false self-employment and to ensure that people with temporary or part-time contracts or who are self-employed have adequate social protection and access to training;

Ensure the effective enforcement of the Directive establishing a general framework for equal treatment in employment and occupation;

### **Recommendation 5: Re-focusing on private debt reduction one of the major drags for European growth and job creation**

*The European Parliament considers that the yearly policy guidance to be adopted by the European Council on the basis of the AGS should aim to:*

The Commission should note that private deleveraging is being hampered by excessive focus on public debt reductions and calls for a most balanced approach to avoid a major drag for European growth and job;

Member States and the Commission should create measures that allow an orderly debt restructuring particularly for households and SME's in order to allow for private debt sustainability which is a precondition for investment, growth and job creation;

Urges the Commission and the Member States to make access to finance for SMEs an absolute priority in their national growth plans; urges the Member States to provide easy access to the European Funds dedicated to that end ;

The Commission should engage with Member states in the creation of recyclable-loan vehicles, funded by a combination of official and private resources and/or supported with guarantees issued by European institutions such as the European investment bank to help to urgently restore liquidity to households and SME's;

Calls for the strengthening of alternative sources of financing to the private sector such as strong cooperative or public development banks which can promote the channelling of liquidity to the real economy and adequate project and development financing;

### **Recommendation 6: Reforms to enhance quality labour participation**

*The European Parliament considers that the yearly policy guidance to be adopted by the European Council on the basis of the AGS should aim to:*

#### National general and youth employment plans

The Commission should make mandatory the presentation of national general, and youth employment plans in the CSR 2014;

The Commission should include job quality, training and access to lifelong learning, core workers' rights, and support for labour market mobility, and self-employment by increasing security for workers in the country specific recommendations of the AGS 2014;

#### Labour Market Reforms and Active Labour Policies

Reforms in the labour market should focus in increasing labour productivity and efficiency in order to improve EU economic competitiveness and enable sustainable growth and job creation while strictly respecting both the letter and the spirit of the European Social Acquis and its principles; Reforms in labour markets should be implemented in such a way as to promote job quality;

Structural labour market reforms should introduce internal flexibility to maintain employment in times of economic disruption, and ensure job quality, security in employment transitions, unemployment benefit schemes based on activation requirements and linked with reintegration policies that maintain work incentives while ensuring decent income, contractual arrangements to combat labour market segmentation, anticipate economic restructuring, and ensure access to lifelong learning;

Member States should avoid the establishment of conditions for firms to opt out of higher-level collective bargaining agreements and to review of sectoral wage agreements which imply an exclusion of a large number of workers from their right to collective bargaining

Member States should increase the coverage and effectiveness of active labour market policies, in close cooperation with social partners;

#### Tackling skills mismatches

Better monitoring of skills needs in specific sectors and/or regions and remedy swiftly these skills mismatches.

Commission and Member States should cooperate in the elaboration of the EU Skills Panorama in order to provide a comprehensive view of EU skills needs.

Foster cooperation and synergies between the education-training sector and enterprises to anticipate skills' needs and adapt education and training systems to the needs of the labour market with the objective to provide the workforce with necessary skills and facilitate the transition from education and training to work;

Promote the access to lifelong learning for all age groups, not only through formal learning but also through the development of non-formal and informal learning.

Establish a validation system of non-formal and informal learning by 2015 linked to the European Qualification Framework;

#### Youth unemployment

Calls for a European Pact for Youth Employment to put into effect the long-agreed measures and for new resources and measures to be committed to tackling youth unemployment, reducing the number of young people not in employment, education or training (NEET) taking into account the qualitative aspect of decent work fully respecting core labour standards;

Member States should urgently implement Youth Guarantee Schemes; and use available resources in an efficient way concentrating activities on those in the most difficult situation.

The Commission and the Member States should step up financing of the Youth guarantee in accordance to the International Labour Organisation (ILO) that has calculated that EUR 21 billion only in the Eurozone is needed in order to carry out an effective programme to combat youth unemployment. Calls on the Commission that the Youth Guarantee be a priority to expand the available budget in the promised mid-term review of the MFF;

The Commission and Council should consider that also Member States in the excessive deficit procedure have the fiscal space to make use of these measures, in particular by temporarily exempting the Member States' co-financing of measures to combat youth unemployment from the calculation of the excessive deficit;

The Commission should propose a quality framework for traineeships comprising, inter alia, the criteria for properly remuneration, learning outcomes, working conditions and safety and health standards; calls on the Commission, Member States and the European social partners to implement the Alliance for Apprenticeships in an ambitious manner;

#### Seniors and Long term unemployed

Member States should develop employment opportunities for older workers, guarantee access to life-long learning, introduce tax benefit policies giving incentives to stay longer at work,

and support active healthy ageing;

Long-term unemployed should be supported by job creation and integrated active inclusion approaches, including positive activation incentives such as personalised guidance and welfare-to-work programmes, adequate benefit systems and access to quality services in order to support them in reconnecting with the labour market and accessing quality jobs;

#### Women

The Commission should put more emphasis on significantly increasing women's participation in the labour market which is key to achieving the Europe 2020 headline target for the employment rate; Calls for measures such as affordable care and child care, adequate maternity, paternity and parental leave schemes and flexibility in working hours and place of work;

Member States should respect and foster gender equality as part of their national policies and National Reform Programmes (NRPs);

#### Other priority groups

Member States should include in their National Reform Programmes key measures on employment and social inclusion adopted by the European Strategy for people with disabilities. Calls on the European Commission that these measures are part of its recommendations by country in 2014.

Calls for the inclusion of minorities mainstreaming in the priorities of the Annual Growth Survey 2014 who's participation in the labour market is key to achieving the Europe 2020 headline target for the employment rate; Calls on the Commission and the Member States to address the low level of labour market participation of people belonging to minorities (e.g. Roma,)

#### **Recommendation 7: Enhancing voluntary labour mobility**

*The European Parliament considers that the yearly policy guidance to be adopted by the European Council on the basis of the AGS should aim to:*

The Commission should develop appropriate measures to revise the European law to guarantee the portability of pension rights and guaranteeing for a period of at least three months continuation of employment benefits while searching work in another Member States given the numbers of workers, particularly young people, departing their countries of origin for others within the EU in search of employment opportunities;

Build on the European Job Mobility Portal (EURES) by intensifying and broadening its activities and, in particular, by promoting youth mobility; calls for a specific strategy to be drafted for it, together with the Member States putting emphasis on the fact that mobility must remain voluntary and that efforts to create jobs and training places on the spot must not be limited by it;

The Commission should explore the possibility for EMU member states to engage in enhanced cooperation's in order to adopt legislation fostering intra-EMU labour mobility more quickly and more efficiently (e.g. on the portability of supplementary pension rights<sup>24</sup>, or the adoption of a cooperation agreement between EMU national employment agencies).

#### **Recommendation 8: Towards fairer taxation systems**

*The European Parliament considers that the yearly policy guidance to be adopted by the European Council on the basis of the AGS should aim to:*

Member States should reform taxes to lower the pressure on low wage and second income earners which according to the Commission remains high and exhibits an increasing trend;

The Commission should take note of the IMF October 2013 tax report that points out the existent scope to tax better and more progressively in order to increase the legitimacy of the consolidation effort while doing more to promote growth and bring some additional revenues

along the way;

Member states should shift the tax burden away from labour towards other forms of sustainable taxes such as a harmonised corporate tax, the Financial Transaction Tax (FTT) and taxes on carbon;

Member States should adopt measures favourable to job creation such as labour tax reforms that provide employment incentives, support voluntary self-employment and promote business in strategic sectors;

Taxation on labour, especially well targeted temporary reductions in social security contributions or job subsidy schemes for new recruits, especially on low paid and low skilled workers, long-term unemployed and other vulnerable groups, should be reduced, while ensuring sustainability of public pension systems in the long run;

To fight undeclared work, false self-employment and tax fraud, particularly in the current context of fiscal consolidation, in order to protect workers, revenues and ensure public confidence in the fairness and effectiveness of tax systems; Transform informal and undeclared work into regular employment amongst others by increasing the capacity of labour inspections.

**Recommendation 9: Poverty and Social Exclusion must be reduced**

*The European Parliament considers that the yearly policy guidance to be adopted by the European Council on the basis of the AGS should aim to:*

Member States should reinforce the safety nets and ensure the effectiveness of the welfare systems as well as invest in preventive measures;

Urges the Commission to take account of the impact of the economic adjustment programmes on progress towards the Europe 2020 headline targets in those Member States experiencing financial difficulties and to agree modifications aimed at bringing the adjustment programmes into line with the Europe 2020 objectives;

**Recommendation 10: Sustainable Pensions**

*The European Parliament considers that the yearly policy guidance to be adopted by the European Council on the basis of the AGS should aim to:*

The Commission and Member States should take on the Parliament's recommendations in the green and white papers on pensions;

Pension reforms require national political and social cohesion and can only be successful when negotiated with the social partners;

In order to guarantee the sustainability of pension systems: it is possible to raise the actual retirement age without raising the mandatory retirement age by reducing the number of people leaving the labour market early; believes that to successfully raise effective retirement ages, reforms in pension systems need to be accompanied by policies that limit the access to early retirement schemes and other early exit pathways, develop employment opportunities for older workers, guarantee access to life-long learning, introduce tax benefit policies giving incentives to stay longer at work, and support active healthy ageing;

**Recommendation 11: European social stabilizers**

*The European Parliament considers that the yearly policy guidance to be adopted by the European Council on the basis of the AGS should aim to:*

Social policies and social standards must not be used as factors of adjustment by the EMU member states experiencing negative economic shocks;

The Commission should produce a Green Paper on Automatic stabilizers in the Eurozone in order to help deal with asymmetric shocks, avoid excessive depletion of national welfare states and hence strengthen the EMU's sustainability as a whole;

Invites the European Council in December to define concrete steps forward in terms of

building a genuine social and employment pillar as part of the EMU on the basis of the community method and to further elaborate on the modalities of introducing a European unemployment benefit scheme as an automatic stabilizer for the Eurozone

**Recommendation 12: Democratic legitimacy and social dialogue needs to be strengthened**

*The European Parliament considers that the yearly policy guidance to be adopted by the European Council on the basis of the AGS should aim to:*

All labour market reforms should be based on reinforced the coordination of the Social Dialogue at EU level;

Guarantee and reinforce high quality participation of social partners and strong social dialogue, also at national level, is essential for the success of any reforms and in particular in reforms of the EMU, the role of the social partners in the new Economic Governance, in particular in the European Semester

Implement the Commission's proposal for stronger involvement of social partners in the European Semester process inter alia in the framework of the Social Dialogue Committee prior to the yearly adoption of the AGS;

The European Council and Member States should ensure that national and regional parliaments, social partners, public authorities and civil society are closely involved in the implementation and monitoring of policy guidance under the Europe 2020 Strategy and economic governance process, in order to ensure ownership;

The European Council and the Commission should to integrate the monitoring and evaluation of employment, social and education goals of the Europe 2020 Strategy more effectively in the European Semester 2014;