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*Committee on Employment and Social Affairs*

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**2014/2059(INI)**

26.8.2014

## **DRAFT OPINION**

of the Committee on Employment and Social Affairs

for the Committee on Economic and Monetary Affairs

on the European Semester for economic policy coordination: implementation of  
2014 priorities  
(2014/2059(INI))

Rapporteur (\*): Sergio Gutiérrez Prieto

(\*): Associated committee – Rule 54 of the Rules of Procedure

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## SUGGESTIONS

The Committee on Employment and Social Affairs calls on the Committee on Economic and Monetary Affairs, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

- A. whereas, after six years of economic crisis and negative growth rates, the Commission's forecasts for the economic recovery are still fragile and insufficient to achieve citizens' employment and social demands; whereas the Commission recognises that in many parts of the EU the social situation is depressed, that unemployment has reached unprecedented heights and that the divergences among regions and Member States are growing; whereas measures to tackle this employment and social emergency need to be put in place as a matter of urgency;
- B. whereas, notwithstanding a mild decline in unemployment, unemployment rates in the EU are still incredibly alarming (25.005 million in the EU-28 in June 2014); whereas, furthermore, the differences between Member States' unemployment rates (5 % in Austria, compared with 27.3 % in Greece) represent a major risk both for the economic stability of the EU and for European social cohesion;
- C. whereas the labour market is now one of the major causes of inequality between Member States and between different sectors, owing to divergences in access to employment, working conditions, or wage levels insufficient to guarantee decent living standards;
- D. whereas the Commission has acknowledged that excessive austerity policies have had a negative impact on economic growth because they failed to take into account the effects of the fiscal multipliers, and that such austerity policies have resulted in tough cuts to social spending in fundamental areas such as education, health and pensions, resulting in unprecedented levels of inequality and poverty in the EU;
- E. whereas Article 9 TFEU provides that: 'In defining and implementing its policies and activities, the Union shall take into account requirements linked to the promotion of a high level of employment, the guarantee of adequate social protection, the fight against social exclusion, and a high level of education, training and protection of human health', and whereas this horizontal clause has not been implemented sufficiently in all policy areas so as to achieve the objectives of Article 3 TEU;
- 1. Welcomes the fact that the focus of the 2014 country-specific recommendations (CSRs) has shifted from solely boosting fiscal consolidation to strengthening the conditions for sustainable growth and employment; recalls that within the current Stability and Growth Pact (SGP) there are still margins intended to facilitate economic growth in the EU, and that differences in the Member States' economic and social situations need to be taken into account; calls for greater flexibility margins in order to boost job creation; takes the view, however, that some of the structural reforms promoted by the Commission – especially labour reforms, wage devaluation, pension reforms, etc. – may result in the same contractionary effects on the economy or on internal demand as the excessive

austerity conducted up to now; calls on the Commission, therefore, to assess the economic and social impact of such policies before recommending them;

2. Recalls that the Commission has recognised that ‘the high levels of unemployment and social distress are eroding Europe’s human and social capital and call for decisive action over time’ (COM(2014)0400); calls on the new Commission to take fully on board the social and employment compromises in the budget and to bring them into line with the goals of the Social Investment Package (SIP);
3. Is deeply concerned that, up to now, the recommendations made as part of the European Semester have taken us further away from achieving the employment and social targets of the Europe 2020 strategy; calls on the new Commission to ask immediately that the Member States report on national progress on the Europe 2020 strategy and correct this discrepancy in their national reform programmes (NRPs) to be presented as part of the next European Semester;
4. Calls for a true ‘social pillar’ to be implemented within economic and monetary union (EMU) as part of the process of improving economic governance mechanisms, so as to reduce unemployment, poverty and social exclusion, overcome social dumping and prevent competition for the lowest social standards in the EU;
5. Welcomes the Commission’s use of the new employment and social scoreboard for this year’s CSRs; considers it regrettable, however, that these indicators have not been made binding in view of the current employment and social emergency; calls on the Commission, therefore, to put them on an equal footing with macroeconomic indicators, and to include additional indicators – such as child poverty levels, access to healthcare, homelessness, and a decent work index – in the scoreboard in order to allow more effective analysis of Member States’ employment and social concerns;
6. Reiterates its call for a meeting of the Eurogroup employment and social affairs ministers to be held prior to euro summits whenever necessary, 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 the eurozone heads of state and government; believes that joint meetings between the EPSCO and ECOFIN Councils with the aim of achieving a coherent position are also crucial;
7. Welcomes the Commission’s recognition that the impact of fiscal consolidation measures on the EU employment and social situation has been severe and far-reaching; calls for the immediate fulfilment of all the employment and social obligations set out in the Treaties and in the EU Charter of Fundamental Rights; calls on the EU Agency for Fundamental Rights to assess thoroughly the impact of these measures on fundamental rights and to issue recommendations in the event of breaches of the Charter;

### ***Employment***

8. Welcomes the abovementioned mild decline in unemployment rates in the EU; recalls, however, that the Europe 2020 strategy accurately states that the figure to watch is the employment rate, which indicates the availability of human and financial resources to

ensure the sustainability of our economic and social model; asks that the slowdown in the unemployment rate not be confused with the recovery of lost jobs, as no account is taken of increased emigration or forced early retirement;

9. Calls on the new Commission to make the employment recovery a true priority by establishing an ambitious and holistic strategy for quality job creation, which should involve all the new Commissioners; takes the view that, to this end, each Commissioner should draw up a quality employment plan for their specific policy area, including concrete measures, a budget allocation and a calendar for its implementation;
10. 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 cross-sectoral policy for restoring competitiveness must also contemplate strategies focusing on other production costs, price developments and profit margins, and on boosting innovation and excellence;
11. Welcomes the Commission's call, in its umbrella communication on the CSR in the EU as a whole, to invest more in R&D, innovation, education, skills and active labour market policies, together with energy, transport and the digital economy; considers, however, that in the context of the current process of fiscal consolidation these goals can be achieved only through greater flexibility within the SGP;
12. Calls on the Commission, as a matter of urgency, to give tangible form to the promised EUR 300 billion investment plan, and calls for an assessment as to whether this figure is sufficient to restore the EU's full potential for growth and quality job creation;
13. Calls on the Commission and the Member States, as a matter of urgency, to exclude productive investments, for instance in education or research and development, from the deficit targets established under EU and national rules;
14. Calls on the Commission to strengthen EU industry through the application of a more flexible competition policy in favour of competitiveness and employment, together with an ecological and digital transition plan; reiterates its call on the Commission to draw up a proposal for a legal act on the provision of information to, and consultation of, workers and the anticipation and management of restructuring in order to ensure economic and socially responsible adaptation to change by EU industry;
15. Is concerned that, in many Member States and sectors, job losses are coupled with a decline in job quality, an increase in precarious forms of employment and a deterioration in basic labour standards; stresses that the Commission and the Member States need to make dedicated efforts to address the increase in involuntary part-time employment and temporary contracts, payless internships and apprenticeships, and bogus self-employment, together with the activities of the black economy;
16. Observes that, in its 2013 annual report on the EU employment and social situation, the Commission highlighted the importance of social protection expenditure as a safeguard

against social risks; notes, however, that social policies and social standards have been widely used as adjustment factors by those EMU members experiencing negative economic shocks; considers it regrettable that the CSRs do not refer to European automatic stabilisers; 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 EMU as a whole; reiterates its call on the Commission to produce a Green Paper on automatic stabilisers in the eurozone;

17. Stresses the importance of active labour market policies in the current context; is deeply concerned that several Member States, despite rising unemployment rates, have reduced budget allocations to finance active labour market policies; calls on the Member States to increase the coverage and effectiveness of active labour market policies, in close cooperation with the social partners;
18. Notes the January 2014 proposal for a EURES (European Job Mobility Portal) regulation; calls for Parliament and the Council to deliberate on the reform as a matter of urgency so that EURES can become an effective instrument for boosting freedom of movement; recalls that mobility must remain voluntary and must not limit efforts to create jobs and training places on the spot;
19. Highlights the rising number of workers, particularly young people, departing their countries of origin for other Member States in search of employment opportunities, and is deeply concerned about the persistent divergences between those Member States creating employment and those supplying a low-cost labour force; urges the Commission to develop a better legal framework for cross-border movement of workers in order to ensure freedom of movement while consecrating the principle of equal treatment and safeguarding wages and social standards; calls for the establishment in each Member State, either by law or through collective bargaining, of a minimum wage equivalent to at least 60 % of the respective national average wage;
20. Welcomes the mild decline in youth unemployment, but points out that it is still at alarming levels: 22 % in the EU-28 and 23.1 % in the eurozone; highlights the worrying differences between Member States (7.8 % in Germany and 53.5 % in Spain); considers it regrettable that even when young people do find a job, many of them – 43 % on average, compared with 13 % of adult workers – find themselves working under precarious conditions or on part-time contracts, making it difficult for them to live independently from their families and resulting in a loss of innovation and expert resources which affects production and growth;
21. Calls on the Commission to propose a binding European framework for the implementation of the Youth Guarantees so as to prevent the funds being misused in such a way as to aggravate national internal wage devaluation processes; takes the view that this legal framework should introduce binding minimum standards for the implementation of the Youth Guarantees, including the quality of apprenticeships, decent wages for young people and access to employment services, and should cover young people aged between 25 and 30; calls on the Commission and the Member States to make the Youth Guarantees a priority and to increase the available budget, at the latest in the promised mid-term review of the multiannual financial framework, up to at least the sum

of EUR 21 billion estimated by the International Labour Organisation to be necessary to resolve the problem in the eurozone;

22. Urges the Member States to go above and beyond the March 2014 Council recommendation for a Quality Framework for Traineeships in order to prevent discrimination and exploitation of young workers; calls for the adoption of a directive on decent conditions and minimum standards for internships and traineeships, giving interns and trainees clearly defined rights that include access to social protection, binding written contracts and fair remuneration and introducing limits on the use of trainees and interns in companies so as to prevent abuses;
23. Observes with concern that female unemployment rates are higher than the total rates (11.7 % in the EU-18 and 10.4 % in the EU-28, compared with 11.5 % and 10.2 % respectively); calls, therefore, for specific decent-job creation plans with targeted measures for women; calls for the establishment of specific recommendations with a view to reducing the gender pay gap, which is not only a drag on the economy and on competitiveness but also a sign of social injustice;
24. Is deeply concerned that long-term unemployed people and senior workers are experiencing higher unemployment rates and additional difficulties in re-entering the labour market; calls on the Commission and the Member States to make full use of the European Social Fund to help these workers; urges the adoption of a directive on decent working conditions, defining core labour rights for all workers and introducing common minimum standards so as to prevent this kind of labour discrimination;

### ***Poverty and social exclusion***

25. Welcomes those CSRs aimed at increasing the adequacy and coverage of minimum income schemes and social protection, and the number of CSRs relating to labour market inclusion policies; takes the view, however, that the uneven and fragile growth expected by the Commission in 2014 and 2015 will not by itself be able to tackle the severe impact that austerity measures and the crisis have had on the fight against poverty and social exclusion and on the achievement of the Europe 2020 goals; demands that the Member States propose specific, targeted measures within their NRPs with a view to tackling poverty, especially child poverty;
26. Regrets the fact that the Commission recommendations on pensions were made without taking into account Parliament's position on the Green and White Papers on pensions; is concerned that reforms to guarantee the sustainability of pensions have focused solely on population ageing, without taking into account the importance of the employment rate, especially in pay-as-you-go systems; recalls that guaranteeing decent pensions above a minimum level is an effective way to fight poverty and social exclusion;
27. Considers it regrettable that very few CSRs tackle the issue of in-work poverty; points out that new forms of poverty affecting the middle and working classes are emerging in some cases, with difficulties in paying mortgages and high energy prices creating energy poverty and giving rise to an increasing number of evictions and foreclosures; is concerned by evidence that levels of homelessness and housing exclusion are increasing;

recalls that this represents a violation of fundamental rights; recommends that the Member States and their local authorities introduce neutral housing policies favouring social and affordable housing, tackle the issue of housing vacancy and implement effective prevention policies aimed at reducing the number of evictions;

28. Welcomes the fact that some CSRs are concerned with the fight against child poverty and with affordable childcare services, but calls for more policies targeting low-income families; calls for more recommendations on social inclusion strategies, including the fight against extreme forms of poverty, such as homelessness;
29. Calls on the Commission to support the effective use of EU funds to reduce poverty through partnership approaches involving civil society; calls on the Member States, especially those with the highest rates of unemployment and poverty, to use 25 % of their cohesion funding for programmes related to the European Social Fund; also requests, in view of the high poverty rates, an evaluation as to whether the Fund for European Aid to the Most Deprived is sufficiently well-funded;
30. Welcomes the recommendation to invest in education, but 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 job creation 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;
31. Notes the Commission recommendation to reform healthcare systems so that they deliver on their objectives of providing universal access to high-quality care in a cost-effective manner, and to secure their financial sustainability; calls for the goals of meeting social needs, providing a social safety net and achieving financial sustainability to be put on an equal footing, and for sufficient resources to be allocated for social protection and health systems;
32. Reiterates its call for increased and structured involvement of civil society and trade union stakeholders so as to safeguard the legitimacy and improve the effectiveness of the European Semester process; looks forward, in this connection, to the Commission's planned involvement of the social partners in the context of the Social Dialogue Committee prior to the adoption of the 2015 Annual Growth Survey;
33. Criticises the fact that not all the Member States have involved both their national parliament and their national social partners in the drafting of their NRPs.