

**European Semester for economic policy coordination: employment and social aspects**

**European Parliament resolution of 25 February 2014 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-000122/2013 – B7-0524/2013 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 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>,

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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.

- having regard to the Commission communication of 23 November 2010 entitled ‘An 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 – B7-0207/2013 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 its resolution of 5 February 2013 on improving access to finance for SMEs<sup>5</sup>,
  - having regard to Rule 48 of its Rules of Procedure,
  - having regard to the report of the Committee on Employment and Social Affairs (A7-0091/2014),
- 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 fragile this year and unemployment is still at a very high level; whereas sustainable growth needs to be significantly enhanced for this to be considered a long-lived recovery, and in order to generate the necessary momentum to relieve the EU of its socio-economic challenges;
- B. whereas unemployment in the EU has reached the alarming figure of 26,6 million, and long-term unemployment has risen in most Member States and has reached an all-time high in the EU as a whole; whereas the decline in employment has been more pronounced in those countries that had to undertake a substantial fiscal reform;
- 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

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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> Texts adopted, P7\_TA(2013)0036.

particularly critical for young people, who, regardless of their level of education, often end up unemployed, with precarious employment contracts, in unpaid traineeships or emigrating; whereas in 2011 the economic loss due to the disengagement of young people from the labour market was estimated at EUR 153 billion in the Member States, corresponding to 1,2 % of EU GDP; whereas the excessive rigidity of labour market regulation in several Member States leads to a lack of flexibility for effectively absorbing shocks; whereas current labour market legislation can in some cases disproportionately protect insiders and adversely affect the inclusion of young people in the workforce;

- D. whereas this has been the deepest and longest-lasting recession in the economic history of the last 100 years, but a catastrophe has been avoided, with the effects of the crisis being distributed over many years, even decades; whereas these effects include the fact that long-term unemployment is still on the rise, possibly 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 somewhat higher levels and deeper forms of poverty and social exclusion, including in-work poverty, for some years ahead;
- E. whereas the International Monetary Fund (IMF) recently pointed out that there is scope to tax better and more progressively, which could help in reducing inequalities in the EU; whereas there is a need to shift the tax burden away from labour towards other forms of sustainable tax in order to promote growth and job creation and bring in additional revenue along the way and to enhance the legitimacy of the consolidation effort ;
- F. whereas the effects of the crisis 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 it is necessary to continue with growth-friendly and differentiated fiscal consolidation in order to guarantee the sustainability of the welfare state and public finances in the long term;
- H. whereas economic improvements should thus be taken as an encouragement to pursue efforts with determination to focus on growth and employment, in order to keep up the reform programmes with a view to improving competitiveness and securing a lasting recovery;
- I. whereas errors in the Commission's economic forecasts for growth and unemployment in recent years demonstrate the need for an improved model of forecasting and strategy with a view to ending the crisis; whereas the pace of fiscal consolidation has slowed; whereas job creation in the eurozone is still very weak; whereas, according to Eurostat, inflation in the eurozone is below the ECB targets;
- J. whereas there is pressure from demographic developments on national budgets and pension systems; whereas life expectancy is continuing to rise;
- K. whereas there is a need to take the life expectancy coefficient into account with a view to ensuring the sustainability of pension systems;

- L. whereas the focus on speed and intensity in pursuing structural reforms has been asymmetrical among Member States during the crisis, being much more demanding for periphery countries than for core countries; whereas all Member States should share the same impetus and undertake the necessary structural reforms in order to promote a sustainable and balanced growth and job creation in the area;
- M. whereas all Member States need to improve their performance and competitiveness, and a real challenge is posed to the eurozone at the moment by the growing socio-economic divergences between Member States; 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 to avoid an economic deterioration;
- N. 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;
- O. whereas support for entrepreneurs should be a priority for Member States;
- P. whereas a coherent policy mix combining macroeconomic policies, structural policies, sound labour market institutions, unsegmented labour markets, collective bargaining and well-resourced welfare systems is essential for absorbing cyclical shocks; whereas a system based on rapid reintegration into the labour market with flanking measures based on flexicurity is also important in absorbing cyclical shocks;
- Q. whereas poverty levels have been increasing 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, unmet medical needs, severe material deprivation and social exclusion;
- R. whereas 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;
- S. whereas it is essential to foster democratic accountability, ownership and legitimacy in respect 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;
- T. whereas arrangements are lacking to ensure that the European Council respects the position of Parliament before its annual adoption of the priorities proposed by the Commission in the Annual Growth Survey;
- U. whereas, on 20-22 January 2014, it held high-level meetings with national parliamentarians (European Parliamentary Week) to discuss the Annual Growth Survey 2014, including its employment and social aspects;

## ***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 should impact policy guidance in the European Semester in order to reinforce the social dimension of the Economic and Monetary Union, since this is not only desirable but also necessary in order to address the crisis and prevent serious socio-economic divergences in the eurozone, thereby enhancing its sustainability; expresses its deep concern at the limited nature of the role of Parliament in the European Semester; deplores the fact that little progress has been made by the Commission and Council to strengthen democratic scrutiny of the economic policy guidance; is of the opinion that under the existing Treaties Article 136 TFEU allows the Council, on a recommendation from the Commission and with the vote of only the Member States whose currency is the euro, to adopt binding economic policy guidelines for the eurozone countries in the framework of the European Semester; stresses that an incentive mechanism would reinforce the binding nature of the economic policy coordination; calls for an Interinstitutional Agreement in order to involve Parliament in the drafting and approval of the AGS and the Economic Policy and Employment Guidelines;
2. Stresses that the social and economic priorities as agreed within the framework of the EU 2020 strategy are deeply interconnected; believes that economic sustainability and macroeconomic balance cannot be achieved, whether in the medium term or in the long run, without the enhancement and safeguarding of the social dimension of the EMU; considers that the social and economic aspects of the Union are two sides of the same coin and that both play a key role in the development of the EU;
3. Notes, however, that these indicators have not been made binding, unlike the Macroeconomic Imbalance Procedure scoreboard; asks the Commission and the Member States to assess this situation in the light of the growing social and employment imbalances in the EU;
4. 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, access to healthcare, homelessness, and a decent work index, in order to allow for proper assessment of the social situation in the Member States; believes that the indicators should, after consultation of Parliament, be reviewed on a regular basis; points out that arrangements are lacking to ensure that the European Council respects the position of Parliament before its annual adoption of the priorities proposed by the Commission in the AGS;

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

5. Highlights the importance of holding, whenever necessary, a Eurogroup employment and social affairs ministers' meeting prior to euro summits: believes that joint meetings to achieve a coherent position between the EPSCO and ECOFIN Councils are equally crucial, 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***

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

6. 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 enhance investment 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; encourages Member States, therefore, to set up an investment package in order to bring about a significant improvement in the short-term economic situation and in the state of affairs on the labour markets of the Member States, as advocated in Parliament's resolution of 11 September 2013 on 'Tackling youth unemployment: possible ways out'<sup>1</sup>;
7. Stresses that the EU's competitiveness will be boosted primarily through productivity-enhancing investments in education, R&D, continuous innovation, further digitalisation and cloud services; 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;
8. 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 competitiveness, which also suffer from the mismatch between labour needs and the actual qualifications of the workforce; points out that reducing such investment will increase the EU's structural weakness, given the growing need for highly skilled workers and the fact that in many Member States a high proportion of the workforce is currently low-skilled; warns that, according to Eurostat, almost half of all children whose parents had a low education level were at risk of poverty in the EU27 in 2011, compared with 22 % of those with parents with a medium education level and 7 % of those with parents with a high education level, with the largest differences found by Eurostat being in Romania (78 % of children in low education level households compared with 2 % in high education level households), the Czech Republic (76 % and 5 %), Slovakia (77 % and 7 %), Bulgaria (71 % and 2 %) and Hungary (68 % and 3 %);
9. 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 put in place a plan that helps those Member States make the necessary productive investments, for instance in education and R&D given the potential of those sectors to generate growth and jobs;

***European funds***

10. Points out that, at a time of severe fiscal constraint and reduced lending capacity in the private sector, the European funds represent an essential leverage at the Member States'

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<sup>1</sup> Texts adopted, P7\_TA(2013)0365.

disposal for stimulating the economy and helping to deliver on the Europe 2020 growth and employment objectives;

11. 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 Member States with very high unemployment rates which will be forced to return EU funds on account of cofinancing problems;
12. Calls on the Commission to apply the frontloading principle to those funds essential for crisis recovery, such as the European Social Fund, for the 2014-2020 period while monitoring carefully for undesired effects of frontloading, such as the risk of automatic decommitment and the impact on the payment profiles 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;
13. 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 wages with a view to increasing productivity***

14. Calls for more adaptive and dynamic labour markets that are able to adjust to disruptions in the economic situation without causing redundancies and excessive adjustments in wages; recalls that the purchasing power of many EU workers has been sharply eroded, household incomes have fallen and internal demand has been depressed, further fuelling unemployment and social exclusion, particularly in those Member States hit hardest by the crisis; points out that reducing labour costs which translate directly into wages/salaries cannot be the only strategy for regaining competitiveness; notes that the communication on the AGS 2014 stresses that core countries with the necessary room for manoeuvre could increase wages as one way of increasing spending; calls for the recommendations to show ambition in order to promote more balanced growth and job creation in the eurozone;
15. Notes that the Commission, in its 2014 draft Joint Employment Report, points out that unit labour cost reductions and wage moderation have fed into price developments, in part because of simultaneous hikes in indirect taxes and administered prices;
16. Notes that decent jobs and wages are important not only for social cohesion and fairness in society, but also for maintaining a strong economy; calls on the Commission and the Member States, in accordance with their respective competences, 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;
17. Notes that women are driving job growth in Europe and that more therefore needs to be done to make full use of the productive potential of the female workforce, through better implementation of gender equality policies and more effective use of EU funding for this purpose;

18. Stresses the importance of exploring the possibility of reducing pressure on wages through minimum wage schemes according to national practices;
19. Stresses that job quality is essential in a knowledge-intensive economy, in order to promote high labour productivity and rapid innovation on the basis of a skilled, adaptable and committed workforce, with decent health and safety standards, a sense of security and reasonable working hours;

### ***Reforms to enhance quality labour participation***

20. Calls on the Member States to present national general and youth employment plans in their 2014 National Reform Programmes; considers it regrettable that, despite Parliament's repeated requests, a significant number of Member States did not present such plans in 2013;
21. Regrets 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, dual learning schemes, 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;
22. 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 internal flexibility and job quality;
23. 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; believes that only a balance based on flexicurity can assure a competitive labour market;
24. Stresses the importance of active, comprehensive and inclusive labour policies in the current context; is deeply concerned that several Member States, despite rising unemployment rates, have reduced budget allocations financing such 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;
25. Calls on the Member States to design - in collaboration with the private sector and the social partners according to national practices - and present job plans including specific job creation measures, in particular for the sectors identified by the Commission as having high potential such as the health and social care sectors, the low-carbon, resource-efficient economy and the ICT sector; calls on the Member States to support, through those job plans, the creation of employment opportunities, particularly for the long-term unemployed, unemployed senior citizens, women, and other priority groups hit especially hard by the crisis, such as immigrants and people with disabilities;



26. Stresses the importance of Erasmus+, as well as the significant contribution that the European Programme for Education, Training, Youth, Sport and Languages can make to improving the labour market situation, especially that of young people;
27. Stresses the importance of enhanced cooperation between Public Employment Services (PES) for developing and implementing Europe-wide evidence-based benchmarking systems and implementing European labour market initiatives;

### ***Youth unemployment***

28. Is deeply concerned that, once again, youth unemployment rates are still very high; notes that the situation of unemployed young people is particularly worrying; calls, therefore, on the Commission and the Member States to take urgent action to bring young people into the labour market; calls on the Member States to implement long-agreed or new measures 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;
29. 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; is concerned, however, that some of the governments have not made available the financing necessary for this to happen; calls on the Member States to introduce an adequate system of monitoring the efficiency of implemented measures and committed financial resources;
30. Notes with satisfaction that the above funds can be used during the first two years of the next financial framework; recalls, however, that this amount is wholly insufficient to combat youth unemployment in a lasting manner and should form an initial tranche with which to tackle the problem; emphasises that the ILO has calculated that a total of EUR 21 billion is needed to implement an effective programme to combat youth unemployment in the eurozone alone, in comparison to the loss to the economy due to the disengagement of young people from the labour market, which is estimated at EUR 153 billion in the Member States in 2011, or 1,2 % of EU GDP; 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;
31. Calls on the Commission and Council to ensure that Member States subject to the excessive deficit procedure also have the fiscal space to implement the Youth Guarantee schemes;
32. Welcomes the Commission's proposal for a quality framework for traineeships, in order to boost employability and improve working conditions for young people; notes, however, the failure to demand adequate pay levels; calls on the Commission, the Member States and the European social partners to implement the Alliance for Apprenticeships in an ambitious manner;

### ***Labour mobility***

33. Believes that given the number of workers, particularly young people, who are now leaving their countries of origin for other Member States in search of employment opportunities, there is an urgent need to develop appropriate measures; notes that 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, the EU legislation is currently being amended; notes that an agreement has been reached between the Council and Parliament on the cross-border portability of supplementary pensions rights;

34. Stresses the importance of the dual education system as practised in some Member States; believes that dual education can be implemented in many more Member States, while taking account of national characteristics;
35. 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 in order not to increase the problem of 'brain drain', which has already occurred in the Member States most hit by the crisis;

### ***Fairer taxation systems***

36. 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;
37. Notes that the IMF has recently pointed out that there is scope to tax better and more progressively, which could help in reducing inequalities in the EU; stresses the need to shift the tax burden away from labour towards other forms of sustainable tax so as to promote growth and job creation and bring in additional revenue along the way, in order to enhance the legitimacy of the consolidation effort;
38. Calls on the Member States to adopt measures favourable to job creation, such as employment tax reforms that provide employment incentives, support voluntary self-employment and promote business in strategic sectors;
39. 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 young people, low-paid and low-skilled workers, the long-term unemployed and other vulnerable groups, while ensuring the long-range sustainability of public pension systems;
40. Stresses the importance of taking effective steps to fight undeclared work, false self-employment, tax fraud and tax evasion, 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***

#### ***The need to reduce poverty and social exclusion***

41. Is concerned at the increase in poverty among all age groups; notes that poverty and social exclusion among 18- to 64-year-olds have 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; calls on the Commission and the Member States to take urgent action to deliver on the EU 2020 goal on poverty and social exclusion; urges the Commission and the Member States to take immediate action to fight child poverty, given that in 2011 27 % of children aged under 18 were at risk of poverty or social exclusion; calls on the Commission to issue recommendations, especially to the Member States with the highest proportions of under-18s at risk of poverty or social exclusion;

42. 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 the Member States to reinforce safety nets, ensure the effectiveness of welfare systems and invest in preventive measures;
43. Welcomes the Fund for European Aid to the Most Deprived, which will help those most affected by poverty to meet their basic needs; calls on the Member States to use the funds concerned properly and target them on the most deprived;

#### *Sustainable pensions*

44. Takes note of the CSR proposal, relating to numerous Member States, regarding pension reforms; deplores the fact 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;
45. Stresses that the necessary thoroughgoing reforms of the pension systems in Member States should be designed, conceived and adopted with a view to ensuring their sustainability, while at the same time not jeopardising adequate pension levels and being fully in line with the economic and social priorities of the Europe 2020 strategy;
46. Stresses the need to carry out the necessary reforms to guarantee the sustainability of pension systems; believes that if effective retirement ages are to be raised 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 lifelong learning, introduce favourable tax policies offering incentives to stay in work longer, and support active healthy ageing; emphasises the acceleration of the pressure placed by demographic developments on national budgets and pension systems now that the first cohorts of the 'baby boom generation' are retiring; notes the uneven progress and levels of ambition across Member States in formulating and implementing structural reforms aimed at increasing employment, phasing out early retirement schemes and evaluating, at Member State level and together with social partners, the need to put both statutory and effective retirement ages on a sustainable footing in line with rising life expectancy; stresses that Member States that fail to implement gradual reforms now may at a later stage find themselves in a scenario where they have to implement reforms shock-wise, with significant social consequences;
47. Is concerned at 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 longer pension calculation periods;

#### *European social stabilisers*

48. Notes that social protection 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 worryingly reduced in those Member States in which such stabilisers are most needed; notes that household incomes and domestic demand have consequently been less well protected;
49. Believes that introducing Bonus-Malus systems creates a ‘win-win’ situation for all parties involved;
50. Stresses that social policies and social standards have been used in some cases as adjustment factors on account of the fiscal consolidation requirements; calls on the Commission to assess the consequences that these processes have had for national welfare states and for citizens; calls on the Member States to improve the adequacy and effectiveness of social protection systems, and to make sure that these continue to act as buffers against poverty and social exclusion;
51. Stresses the need for the Commission to recognise the importance of carers, in terms of both care provision and the economy and society as a whole, recalling that the interests of carers are rarely taken into account in policies that nonetheless impact on them in a consistent and across-the-board fashion;
52. Believes that EU funding could contribute to capacity-building for carers in relation to the provision of support (e.g. emotional support, exchanges, and information) and advocacy, and that it could also support exchange of information, research and networking; also believes that legislative measures could be explored, on a basis of respect for national competence and the principle of solidarity, and that this could take the form of, for example, a directive on leave for carers;
53. Underlines the upcoming need for qualified carers due to demographic changes, and the importance of ensuring training and education for future carers in order to prevent a collapse of the entire care and social security system; also considers it important to provide maximum support for carers (especially informal carers), whose contribution needs to be recognised;
54. Stresses the importance of hospice and palliative services within long-term care; points out that carers and users of mobile palliative teams, given their multi-professional composition, flexibility, and cooperation with other professional sectors, have the potential to bridge crucial gaps in long-term care systems;

### ***The need to strengthen democratic legitimacy and social dialogue***

55. Stresses that all labour market reforms should be based on reinforced coordination of social dialogue;
56. 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;

57. 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;

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58. Instructs its President to forward this resolution to the Council and the Commission.

**ANNEX TO THE 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:*

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 should impact policy guidance in the European Semester in order 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;

Expresses its deep concerns of the limited role of the European Parliament in the European Semester; deplores that little progress has been made by the Commission and Council to strengthen democratic scrutiny of the economic policy guidance; Is of the opinion that under the existing Treaties Article 136 TFEU allows the Council, on a recommendation from the Commission and with the vote of only the Member States whose currency is the euro, to adopt binding economic policy guidelines for the euro area countries in the framework of the European Semester; stresses that an incentive mechanism would reinforce the binding nature of the economic policy coordination; calls for an Interinstitutional Agreement to involve Parliament in the drafting and approval of the Annual Growth Survey and the Economic Policy and Employment Guidelines;

Notes, however, that these indicators have not been made binding, unlike the Macroeconomic Imbalance Procedure scoreboard; asks the Commission and the Members States to assess this situation in the light of the growing social and employment imbalances in the EU; 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, access to health care, homelessness, and a decent work index, in order to allow for proper assessment of the social situation in the Member States; The indicators should after consultation of the Parliament be reviewed on a regular basis; whereas arrangements are lacking to ensure that the European Council respects the position of the European Parliament before it yearly adopts the priorities proposed by the Commission in the Annual Growth Survey;

**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:*

Highlights the importance whenever necessary of an Eurogroup employment and social affairs ministers meeting prior to EuroSummits. Joint meetings to achieve a coherent position between

EPSCO and ECOFIN Councils are equally crucial, 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 ;

### **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:*

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 enhance investment 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; encourages Member States therefore to set up an investment package in order to bring about a significant improvement in the short-term economic situation and in the state of affairs on the labour markets of the Member States as was recited in the Parliament resolution of 11 September 2013 on tackling youth unemployment: possible ways out (2013/2045(INI));

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 put in place a plan that helps those Member States to make the necessary productive investments, for instance in education, and research and development, , given their potential to generate growth and jobs;

### **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**

Calls for more adaptive and dynamic labour markets, able to adjust to disruptions in the economic situation without causing redundancies and excessive adjustments in salaries; recalls that the purchasing power of many EU workers has sharply eroded, household incomes have lowered and internal demand has depressed, further fuelling unemployment and social exclusion, particularly in those countries hit hardest by the crisis; points out that reducing labour costs which translate directly into wages/salaries cannot be the only strategy for regaining competitiveness; Notes that the Communication on the AGS 2014 stresses that core countries with the necessary room for manoeuvre could increase their wages as one way of increasing spending, calls for ambition in these recommendations in order to promote a more balanced growth and job creation in the Eurozone;

#### **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.

## 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: 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;

#### 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, in this context dual learning schemes should play a key role;

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.

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 should propose a quality framework for traineeships comprising, inter alia, the criteria for, learning outcomes, and proper working ;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 6: 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:*

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. 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, EU legislation is currently being amended. An agreement has been reached between the Council and the Parliament on the cross-border portability of supplementary pensions rights;

#### **Recommendation 7: 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:*

Notes that the International Monetary Fund (IMF) has recently pointed out that there is scope to tax better and more progressively which could help in reducing inequalities in the EU; stresses the need to shift the tax burden away from labour towards other forms of sustainable tax in order to promote growth and job creation and bring in additional revenue along the way in order to enhance the legitimacy of the consolidation effort;

#### **Recommendation 8: 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 9: 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:*

Stresses the need to carry out the necessary reforms to guarantee the sustainability of pension systems, 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;

Emphasises the acceleration of the pressure posed by demographic developments on national budgets and pension systems now that the first cohorts of the ‘baby boom generation’ retire; notes the uneven progress and levels of ambition across Member States in formulating and implementing structural reforms aimed at raising employment, phasing out early retirement schemes and evaluating, at Member State level and together with social partners, the need to put both the statutory and effective retirement age on a sustainable footing with increases in life expectancy; stresses that Member States that fail to implement gradual reforms now may at a later stage find themselves in a scenario where they have to implement reforms shock-wise and with significant social consequences.

### **Recommendation 10: 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:*

Notes that social protection 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 worryingly reduced in those Member States in which such stabilisers are most needed; notes that household incomes and domestic demand have consequently been less well protected;

Stresses that social policies and social standards have been used in some cases as adjustment factors due to the fiscal consolidation requirements; Calls on the Commission to assess the consequences that these processes have had for national welfare states and their citizens; Calls on the Member States to improve the adequacy and effectiveness of social protection systems, and to make sure that these continue to act as buffers against poverty and social exclusion;

### **Recommendation 11: 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;

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.