

Europe 2020: Off to a bad start with the European Semester !

On the 13th January, the Commission published their first round of documents for 2010 to launch what they call the new European Semester for Europe 2020.

EAPN's initial reaction was dismay because this first packages launching the real start of Europe 2020 implementation makes it only too clear that Growth, and even more so fiscal consolidation, (pressing MS to reduce their deficits fast within the demands of the Stability and Growth Pact, is the real driver of Europe 2020, undermining the supposed commitments to smart, sustainable and inclusive growth. Worse still, the specific demands of the Growth Survey are likely to undermine, and exacerbate poverty, social exclusion and inequality.

European Semester – What is it?

This is the new governance architecture for Europe 2020, which provides primarily for economic governance – to ensure coordination of budgetary and economic policies, in line with the Stability and Growth Pact and Europe 2020.

[See Questions and Answers paper on](#) new architecture (gives a diagram and summary)

It is a 6 month cycle starting each January with

- Annual Growth Survey (and Progress Report on Europe 2020/Employment Report and Macro-economic report)
- Spring Council decides the main (macro-economic) challenges and gives advice to MS
- Mid April – Member States draw up their NRPs and send to the Commission for assessment
- In June and July the Council will make country-specific guidance whose “policies and budgets are out of line
- In July the Council will give policy advice to MS to finalize their budgets.
- It is basically a *macro-economic governance cycle* – now backed by a new Economic governance legislative package agreed on the 29 September, which reinforces the Stability and Growth Pact, and introduces a wider set of incentives and sanctions on macroeconomic imbalances ie MS that don't respond to demands for fiscal constraint will be sanctioned!!
- A key question is what this means in the context of the commitments on smart, sustainable and inclusive growth – when the only focus of this Semester is really growth, competitiveness and fiscal restraint/consolidation.

Annual Growth Survey: Published on the 13th January.

A package of documents were published to start the new governance process for Europe 2020.

- 1) [Annual Growth Survey – Also summary of key economic messages](#)
- 2) [Progress Report on Europe 2020](#) – including the review of the targets.
- 3) [Macro-economic report](#)
- 4) [Draft Joint Employment report](#)
- 5) Proposal for a Council decision on employment guidelines

1) Annual Growth Survey – is the policy driver!.

The focus is on:

- 1) Need for rigorous fiscal consolidation enhancing macro-economic stability

- 2) Labour market reforms for higher employment
- 3) Growth enhancing measures

3 Key priorities are established with 10 actions proposed.

1) Ensuring requisites for macro-economic growth

By

- **Implementing a rigorous fiscal consolidation – ie** reducing public debt ratio to 60%, setting out how they will eliminate excessive deficits. Where taxes are mentioned MS are encouraged to increase indirect taxes as more growth friendly.
- **Correcting macroeconomic balances** – to ensure competitiveness – reducing the deficit and keeping wages down (strict wage moderation), including revising indexing systems.
- **Ensuring stability in the financial sector** by reinforcing the regulatory framework and restructuring banks, withdrawing public financial support
Strengthen their capital base to withstand further shocks. The Commission is working on a comprehensive bank crisis resolution framework.

2. Mobilising Labour Markets, creating job opportunities

Focussing solely on the employment targets (75% by 2020)

By:

- **Making work more attractive** by shifting taxes away from labour and ensuring that tax/benefit systems with childcare etc support second earners (ie women). Efforts to reduce undeclared work, but also tying training and job search more closely to benefits.
- **Reforming pensions systems –** making them more sustainable by increasing the retirement age, reducing early retirement, developing complementary private savings and avoiding threatening long-term sustainability and adequacy – ie not increasing rates or entitlements.
- **Getting the unemployed back to work** – whilst they recognize role of welfare systems in protecting people in the crisis, but insist benefits should be reviewed to provide incentives and avoid benefit dependency – ie by conditionality, greater coherence with income taxes/benefits and adapting unemployment insurance systems.
- **Balancing security and flexibility** – focuses on increasing flexibility to prevent the overprotection of workers and switch to protecting those outside but all measures proposed focus on introducing open-ended contracts and simplifying regimes for recognizing qualifications.

3. Frontloading Growth-enhancing Measures.

Focussing on investing in research for new products and services and increasing competitiveness, giving priority to the Single Market Act.

By:

- **Tapping the potential of the single market** – implementing the Services Directive, reducing regulation on services.. and reducing taxes that disadvantage cross-border trade ie modernising VAT, introducing a common consolidated corporate tax and coordinated EU approach to taxing the financial sector – also reducing taxes on labour and moving to taxes on energy.
- **Attracting private capital to finance growth.**

- **Creating cost-effective access to energy** – support to energy efficiency, but driving through the single market.

4. Ensuring delivery

- The growth survey makes clear the priorities to reduce deficits, restore the normal functioning of the financial sector and then to reduce unemployment.
- The 10 actions above form the basis of the agreement that MS have to implement
- The NRP therefore has to respond to these requirements.
- Failure to do so, will result in country-specific recommendations before the summer.
- No mention is made at any point of the other objectives, or the impact on sustainable or inclusive growth objectives.

2) Progress Report on Europe 2020

- Supposed to be an assessment of the draft NRP ie focused on the whole of Europe 2020 but talks initially almost exclusively about addressing the main economic challenges
- Main focus on growth-enhancing initiatives and reiterates the Annual Growth survey demands.
- Flagship Initiatives and EU levers are to be mobilised to increase growth! – but in ways that are smart, sustainable and inclusive. Only here is inclusion mentioned fleetingly
- Priorities for growth – eg tapping full potential of services sector, improving tax environment for businesses.. delivering on climate and energy, but no mention of inclusive growth.

First Steps towards the Targets

- All but 2 MS have set national targets (many provisional) and many set as ranges.
- Low level of ambition – ie low targets.. which won't reach EU targets
- On Employment – **Most MS set specific targets (not NL and UK), but still falls short of 75%**
- On Education and Training - **All NRPs have set targets for reducing school leavers (except UK and NL), but still falls short of 10% target.**
- **Social Inclusion and Poverty:**
- P.9 Includes positive statements of *“No sustainable growth unless benefits accrue to all segments of society”*. *Inequality has been growing across Europe, with more and more people experiencing poverty and social exclusion. Crisis has increased poverty or risk of poverty. – Ensuring that growth and social cohesion go together.*
- Draft NRPs – majority of countries have set targets – all 3, but not ambitious enough. Most MS use 3 agreed indicators. Several countries have not set target

Annex: Provisional Targets

- Figures on Poverty – based on estimated contribution to EU budget.
- Problem that it doesn't talk about percentages.. to see the relationship to percentage currently existing.
- In brackets what the Commission wanted or range
- No targets in ES, NL, SE, UK – only child poverty target
- DE particularly unambitious –330.000 reduction..

3. Joint Employment Report

Expands the employment messages of the Growth Survey, based on the employment situation in the EU, the implementation of the Employment Guidelines (including the poverty guideline 10) and the results of the country examination of the draft NRP.

1 Employment performance is affecting the macro-economic framework

- An improved but fragile labour market – ie stable unemployment rate of 9.6%, but long-term unemployment increasing across all population groups – worse for low-skilled, and non-EU migrants, but improving for young people. Unemployment and minimum income benefits continuing to increase which “cushioned the social impact of the crisis”.
- A concern about competitiveness – ie the need to keep down labour costs!.
- A need for action on labour taxes and social security contributions

Main priority areas to enhance growth

1. Reaching full employment –(Guideline 7) through

- **Increasing labour market participation** – focussed on preventing an early exit from the labour market for older people, increasing women’s involvement through reforming taxes,. For young people increasing pathways and improving transitions.
- **Tackling labour-market segmentation** – mainly focussed on supporting more flexible working time and promoting mobility, challenging undeclared work and promoting greater social dialogue.
- **Job Creation** – by lowering non-wage labour costs, targeted at the low-skilled and taxes from labour to energy or property. Main areas for new jobs – greener economies and ‘white jobs’- ie healthcare. Also supporting entrepreneurship
- **Active Labour Market policies:** more efficient ALM and services to ensure more individualised support and better coordination.
- **Gender Equality and work-life balance;** through challenging involuntary part-time work, increasing childcare facilities and re-integration of women into the labour market by challenging gender split, reducing parental leave! And promoting work-life balance
- **Social security systems:** ensuring incentives to work focussed on challenging benefit dependency, whilst ensuring much needed income support. Main proposals linked to temporary/partial sanctions for non-compliance.
- **Wage-setting and labour costs: Real wages should grow in line with productivity ie keeping wages down.**

2. A highly skilled and educated workforce

- **Focussed on increasing quality of training and education and their responsiveness,** focussed on skill gaps. Encouraging lifelong learning, mainly targeted on those in work, through more flexible learning pathways, validating formal and non-formal learning and target measures like work place training and partnerships with social sector organisations.
- **Improving the level of basic skills and competences by tackling early school leaving.**
- **Modernising higher education systems to raise qualification levels.**

3. Inclusive Growth: combating poverty and social exclusion (Guideline 10)

- **Preventing poverty through inclusive labour markets**

Job still quoted as the best safeguard against poverty, however the working poor represent 24% of the people at risk of poverty – therefore vital to ensure “living wages for those in work, by addressing labour market segmentation, low skills, low pay and underemployment, and facilitating access to the labour market for lone-parents and second earners– ie women!.”

- **Adequate and sustainable social protection system and access to quality services**
Recognizes the negative impact of fiscal consolidation on social protection systems and that tightening conditionality affects adequacy, while social insurance exemptions weakens sustainability. Supports better efficiency of social spending, and more focus on prevention...
- **Investing in active inclusion** – recognising impact of unemployment on exclusion and health, but emphasizing that “weak safety nets and lack of activation measures for the most vulnerable risk aggravating persistent social and labour market exclusion” – Also better targeted approaches for key groups (youth, disabled and migrants) and to tackle over-indebtedness, homelessness and housing exclusion. Recognizes role of social economy and social innovation.
- **Improving labour market prospects for parents to help break inter-generational transmission of poverty** – ie a focus on labour market participation to fight child poverty, combined with early childhood intervention, improving income support through better targeting of benefits.

5. The Way Forward

Immediate priorities are almost all – employment or training related!!!

1_ Temporary reductions in social security contributions – particularly for young, women and parents, older and low income earners.

2. Ensuring decent pay – and new low wages for new entries accompanied by secondary benefits, but keeping wage rises linked to productivity...

3. Tax reforms – with better access to services and in-work benefits.

4. Internal flexibility – ie Short-time working and

5. Flexible working with extended day-care.

6. Increasing the participation of older workers.

7. Reforming unemployment benefits – linked to the economic cycle – reinforcing safety nets in times of crisis.

8. Increasing conditionality – to training and job search on basis of mutual responsibility.

9. Flexibilising work contracts and altering employment protection legislation – with open-ended contracts with gradual increase of protection rights.

10. Maintain and increase investment in education and training

POSITIVE:

- Positive rhetoric on need to reduce poverty, recognition of in-work poverty and key role of social protection and minimum income.
- very good rhetoric on older workers, women and youth = in access to employment..
- some positive wording on job and employment insecurity and about combating labour market segmentation, tackling undeclared work and strengthening social dialogue.
- stress on job creation – green and white jobs, but also self-employment and entrepreneurship.

- Recognition of need for decent pay and living wages
- welcome references to strengthening the Public Employment Services.
- Recognition of Active Inclusion
- Defence of social protection and minimum income, and role as stabiliser
- very good working on education and training (but not enough on quality of training)
- Good section on child poverty, with recognition of need for childcare facilities, and family income support, early intervention.

NEGATIVE;

- Overwhelming solution to reducing poverty is by getting people back into any job... contradictory statements about decent wages, then focus on flexible working, short-time contracts, wage differentiation, wage stabilisation...
- No mention of rights – and increasing access to resources and services or tackling discrimination. No mention of horizontal social clause.
- a lot of talk about cutting social security contributions to boost employment – but how are social security systems going to be financed? (the concern is also raised in the paper – a balance needs to be found).
- No mention of rights,
- again, stress on conditionality and sanctions; the chapter on wages does not make any link to poverty
- Active Inclusion is mentioned under poverty, nothing under employment (although its implicit in the sections),
- Recognition of living wages but not quality jobs (except security, reconciliation) and not enough on decent wages + no mention of in-work poverty.
- Where is stakeholder involvement and participation?