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on European Semester for economic policy coordination: Employment and Social Aspects in the Annual Growth Survey 2015
(2014/2222(INI))

Committee on Employment and Social Affairs

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MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

on European Semester for economic policy coordination: Employment and Social Aspects in the Annual Growth Survey 2015 (2014/2222(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 the Charter of Fundamental Rights of the EU, in particular to its Title IV (Solidarity),
- having regard to the revised European Social Charter, in particular its Article 30 on the right to protection against poverty and social exclusion,
- having regard to its resolution of 25 February 2014 on the European Semester for economic policy coordination: employment and social aspects¹,
- having regard to its resolution of 22 October 2014 on the European Semester for economic policy coordination: implementation of 2014 priorities²,
- having regard to the Commission communication of 28 November 2014 entitled ‘Annual Growth Survey 2015’ (COM(2014)0902), and to the draft Joint Employment Report annexed thereto,
- having regard to the Commission communication of 26 November 2014 entitled ‘An Investment Plan for Europe’ (COM(2014)0903),
- 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 the Commission communication of 3 March 2010 entitled ‘Europe 2020: A strategy for smart, sustainable and inclusive growth’ (COM(2010)2020),
- having regard to the Commission communication of 18 April 2012 entitled ‘Towards a job-rich recovery’ (COM (2012)0173),
- 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

¹ Texts adopted, P7_TA(2014)0129.

² Texts adopted, P8_TA(2014)0038.

15 November 2011 thereon¹,

- having regard to the Commission communication entitled ‘Youth Opportunities Initiative’ (COM(2011)0933),
 - 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 its resolution of 13 March 2014 on Employment and social aspects of the role and operations of the Troika (ECB, Commission and IMF) with regard to euro area programme countries²,
 - having regard to its resolution of 11 June 2013 on social housing in the European Union³,
 - having regard to its resolution of 12 February 2014 on ‘How can the European Union contribute to creating a hospitable environment for enterprises, businesses and start-ups to create jobs?’⁴,
 - having regard to the International Labour Organisation (ILO) ‘Global Wage Report 2014/2015’ of 5 December 2014,
 - having regard to the OECD working paper ‘Trends in Income Inequality and its Impact on Economic Growth’ of 9 December 2014;
 - having regard to Rule 52 of its Rules of Procedure,
 - having regard to the report of the Committee on Employment and Social Affairs (A8-0000/2015),
- A. whereas the economic and social context in the EU continues to be bleak, with negative growth rates in the eurozone for the past two years, and with growth now stalled at around 0 %; whereas forecasts have systemically been revised downwards by the Commission, as has been done for 2015 and 2016; whereas recovery is neither robust nor underpinned;
- B. whereas the EU needs to make a decisive change in an economic policy that has allowed the Union to drift away from the EU 2020 targets, and that has increased the risks of secular stagnation; whereas the EU is worryingly losing weight in the world economy, while most other countries are showing solid signs of recovery; whereas in October 2014 the IMF estimated that the probability of a recession in the euro area had increased and would reach 35-40% at year’s end;
- C. whereas in spite of mild improvements, the unemployment rate remains historically

¹ OJ C 153 E, 31.5.2013, p. 57.

² Texts adopted, P7_TA(2014)0240.

³ Texts adopted, P7_TA(2013)0246.

⁴ Texts adopted, P7_TA(2014)0394.

high, with 25 million people out of work; whereas long-term unemployment is worryingly high, and 12 million people have been unemployed for more than a year (up 4 % over the previous year); whereas the labour market situation is particularly critical for young people, regardless of their level of education;

- D. whereas high unemployment levels, excessive focus on wage depression to regain competitiveness, and a decline in spending on social protection in almost all Member States, have led to significant reductions in household gross disposable incomes, leaving millions of European families at risk of exclusion, and have increased inequalities alarmingly; whereas one in four Europeans are at risk of poverty; whereas underemployment and precariousness has peaked and, for 50 % of all job seekers, securing employment is not enough to lift them out of poverty;
- E. whereas 25.1 % of the EU population is currently at risk of poverty or social exclusion; whereas the average growth rate of child poverty is higher than the average growth rate of poverty overall, and whereas in some Member States one in three children live below the poverty line;
- F. whereas socioeconomic imbalances between Member States have deepened further, while the reverse is true with regard to the goal of regional convergence; whereas the core-periphery gap in unemployment has increased from 3.5 % in 2000 to 10 % in 2013; whereas this divergence increases the risk of fragmentation and threatens EU economic stability and social cohesion;
- G. whereas Parliament has for the past two years warned of the social risks of deflation in a context of low growth, high unemployment and downward pressure on wages; whereas the ECB has forecast low inflation in the long run, and has warned of the consequences of this on internal demand, growth and employment; whereas deflation has become a reality since August 2014 in eight Member States (six in the eurozone); whereas demand and job creation in the EU is heavily constrained by the prevailing weakness of credit provision to SMEs and the need to reduce excessive public and private debt; whereas the drop in inflation rates significantly increases these difficulties, by raising real interest rates and the real debt burden, and could lead to a vicious circle of economic depression;
- H. whereas austerity has lessened as the pace of fiscal consolidation has increased, and as new headline targets – focusing more on structural than on cyclical deficits – have been introduced; whereas, in spite of this, the size of fiscal multipliers in the current context is still very high, and the need to accomplish the medium-term objective and the debt objective will inevitably have a significant negative impact on economic growth and job creation;
- I. whereas investment in quality jobs, human capital, research and innovation must be the top priority for both the Commission and the Member States, as investment in these areas are essential not only to ensuring a recovery but also to expanding the EU's economic potential to grow and to create prosperity;
- J. whereas the insufficient involvement of national parliaments, the European Parliament and social partners in EU decision making has impeded the ownership of reforms by the

Member States, and has reduced citizens' confidence in the EU project as shown in past European elections;

Ambitious economic policies for growth, quality job creation and fighting deflation

1. Calls on the Commission to introduce a much-needed, expansionary economic policy to boost smart, sustainable and inclusive growth and to create quality jobs; stresses that low inflation is already increasing real interest rates as well as real public and private debt, which, together with high unemployment, depresses growth and increases poverty;
2. Is concerned that the EU is caught in an investment trap whereby investments have fallen more than EUR 400 billion since they peaked in 2007, and are now close to 20 % below the pre-crisis level; warns that the decline has been even greater in peripheral Member States where fiscal consolidation was more acute;
3. Welcomes the fact that one of the three main pillars of the Commission's strategy for 2015 is investment, and calls for its plan to be implemented without delay; considers it a step forward that Member States' contributions to such a plan are excluded from deficit targets;
4. Regrets the fact that the European Fund for Strategic Investments (EFSI) will be based on recycled EU resources and will not raise public 'fresh' money, apart from an extra EUR 5 billion from the EIB; stresses the risks of an insufficient fund based on overly optimistic assumptions about the likelihood of attracting the bulk of the financing needed from private investors; calls on the Commission to consider using the EIB's annual profits and undisbursed dividends to increase resources without endangering the bank's AAA rating; calls on the Commission to explore ways of using the EU budget and other, new resources to ensure that it will not fail to deliver;
5. Stresses the fact that the EFSI must be focused on creating new investments in areas where investor appetite is subdued rather than on substituting investments that would have been produced elsewhere (crowding out), or on focusing on highly profitable investments that would have occurred in any case (deadweight); calls on the Commission to include and promote social investments that not only generate financial returns but promote positive social spillovers, such as investments in human capital or investments with high impact in job creation or poverty reduction; reiterates its call for the implementation of the Strategic Implementation Plan (SIP);
6. Calls on the Commission to prioritise investments in economically weaker regions suffering from high unemployment, and in SMEs in such regions, given their very limited access to financing, to ensure that these efforts have a meaningful impact where they are most needed;
7. Calls on the Commission to review and improve the EU-EIB Project Bond Initiative, launched as a pilot project in 2012 to sum up the investment plan, with a view of giving it a greater role in promoting employment; recalls, in this context, the social impact bonds included in the SIP;
8. Notes that the European Investment Plan is a necessary complement to efforts to boost

job creation, but is in itself insufficient to fully compensate for the lack of private and national investments; welcomes the fact that the Annual Growth Survey (AGS) 2015 continues to call for more efforts from countries with fiscal margins of manoeuvre as a means of encouraging European demand and investment;

9. Welcomes the extension of the pace of fiscal consolidation, and the introduction of new headline targets – focusing more on structural than on cyclical deficits – that will have a positive effect on employment and growth; notes, however, that the size of fiscal multipliers in the current context is nevertheless still very high and that this will inevitably have a negative impact on economic growth and job creation; calls on the Commission to explore the possibility of introducing escape clauses, or of delaying these targets, in order to avoid weakening demand further and destroying jobs;
10. Calls on the development of a European framework to assure that investments under the Juncker Plan, which are excluded from national deficit targets, have a significant impact in terms of stimulating economic growth and creating quality jobs;
11. Stresses that while SMEs constitute the backbone of job creation in the EU, they continue to face major difficulties in gaining access to financing, and they are worryingly over-indebted; welcomes the Commission's new recommendations on SME's access to finance, involving a new approach to insolvency and business failure; calls for further efforts to improve debt-restructuring schemes as a means to this end;
12. Welcomes the joint Commission-EIB SME lending scheme using Structural Funds to streamline investment in these companies so as to boost employment creation; calls on the ECB to complement this policy action and to explore means of purchasing SME assets, or to serve as a guarantor for SME sources of financing;
13. Welcomes the measures announced by the Commission to boost job creation in SMEs by unlocking alternatives to bank loans to SMEs, and to improve the regulatory framework in order to enhance long-term investment in SMEs; calls for these measures to be implemented without delay;
14. Considers that cohesion policy measures have an essential role to play in reducing internal competitive disparities and structural imbalances; calls on the Commission to find specific solutions for those Member States that, though facing very high unemployment, are obliged to return EU funds owing to co-financing problems; calls, therefore, on the Commission to apply the frontloading principle to all funds for these Member States in the 2014-2020 period;

Labour market reforms to expand growth potential, human capital and productivity

15. Notes that decisive investment plans for growth and job creation can only be fully realised if they are coupled with national reforms that enhance quality labour participation, boost productivity and develop human capital; believes that structural labour market reforms should introduce internal flexibility measures aimed at maintaining employment in times of economic disruption, ensure job quality and security in employment transitions, and provide unemployment benefit schemes that are based on activation requirements and linked to reintegration policies;

16. Calls on the Commission to design tailor-made policies to support quality job creation for the long-term unemployed, senior unemployed people, women and other priority groups hit especially hard by the crisis, such as immigrants or people with disabilities;
17. Regrets that the European Semester has not been sufficiently aligned with the Europe 2020 strategy; calls for more determined efforts to guide and coordinate EU policies to boost smart, sustainable and inclusive growth and create quality jobs;
18. Is concerned that the Commission's strategy to regain competitiveness has been more focused on reducing costs than on raising productivity via investments in human capital; stresses that more than 20 Member States have reduced their education expenditures in relative terms (as percentages of their GDPs), thereby jeopardising their growth, job potential and competitiveness;
19. Welcomes the fact that in the AGS 2015 the Commission calls on the Member States to protect or promote longer-term investments in education, research and innovation; notes, however, that Member States with already-constrained budgets do not have sufficient means to accomplish that goal; calls, therefore, on the Commission to exclude productive investments in education, research and development from the deficit targets established under EU rules;
20. Stresses the importance of active labour policies in the current context; calls on the Member States to increase the coverage and effectiveness of active labour market policies;
21. Recalls that decent wages are important not only for social cohesion, but also for maintaining a strong economy and a productive labour force; calls on the Commission to submit a proposal for a European framework for minimum wages with a view to reducing wage inequalities and limiting nominal imbalances in competitiveness;
22. Is concerned that labour market reforms in many Member States have mainly promoted precarious jobs; observes that 50 % of jobs created in 2014 were temporary jobs; notes that, according to the Commission, in-work poverty persists, and that for 50 % of all job seekers, securing employment is not enough to lift them out of poverty, nor does it raise productivity; calls on the Commission and the Member States to make job quality a priority and to address labour market segmentation;
23. Welcomes the initiative regarding a European platform on undeclared work; reiterates its call on the Member States to ensure that people with precarious contracts, or who are self-employed, enjoy a core set of rights and adequate social protection; calls on the Commission to make dedicated efforts to address the additional problems caused by involuntary part-time and temporary employment and by bogus self-employment;
24. Welcomes the reduction in youth unemployment rates, but points out that they are still alarming; stresses that job insecurity and underemployment have also risen, and that 43 % of the young find themselves working under precarious conditions, on involuntary part-time contracts or as bogus self-employed;
25. Calls on the Commission to propose a European framework introducing minimum

standards for the implementation of Youth Guarantees covering young people aged 25-30; calls on the Member States to use the available budget efficiently and to implement the Youth Guarantees without delay; calls for the available budget to be increased during the promised mid-term review of the MFF in accordance with ILO recommendations;

26. Stresses that, according to the Commission, despite high unemployment rates there are 2 million job vacancies in the EU, and that only 3.3 % of the active population works in another Member State; recalls that divergences in labour mobility rates range up to 10 percentage points, notably in those Member States hardest hit by the crisis;
27. 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 to guarantee that no worker is left uncovered by social and labour rights protection; calls, in this regard, on the Commission and the Member States to further improve EU labour mobility while upholding the principle of equal treatment and safeguarding wages and social standards; calls on each Member State to establish social and employment policies for equal rights and equal pay at the same place of work;

A decisive call for the EU Social Dimension and Convergence

28. Reiterates its warning of the socioeconomic challenges facing the Union and the risks to its sustainability and its stable growth potential posed by a reversal in regional convergence; recalls that more than 122 million EU citizens are at risk of poverty or social exclusion, including in-work poverty and child poverty, and that these levels are unacceptable and need to be reduced immediately; calls for a true ‘social pillar’ to be implemented within the EMU as part of the process of improving economic governance mechanisms;
29. Points out that social protection and social policy – in particular unemployment benefits, minimum income support and progressive taxation – initially helped to reduce the depth of the recession and stabilised labour markets and consumption; stresses, however, that social stabilisers have been widely used as adjustment factors by those EMU members experiencing negative economic shocks;
30. Considers it regrettable that the AGS 2015 does not mention European social stabilisers; recalls the importance of such stabilisers in addressing asymmetrical shocks, in avoiding excessive depletion of national welfare states and, thus, in strengthening the sustainability of the EMU; reiterates its call on the Commission to produce a Green Paper on automatic stabilisers in the eurozone;
31. Notes the Commission objective ‘to make EU law lighter, simpler and less costly for the benefit of citizens and enterprises’; stresses that this removal of regulatory barriers should undermine neither the European social acquis, the ILO core conventions nor the European Social Charter;
32. Welcomes the fact that the Joint Employment Report annexed to the AGS includes a scoreboard for employment and social policies; considers it regrettable, however, that

these indicators are not sufficient and that they have not been made binding, which would allow them to be used more forcefully; asks the Commission to remedy this situation;

33. Calls on the Commission to submit a proposal for a European minimum income, as announced by its President during the investiture debate, with the aim of reducing poverty in EU;
34. Calls on the Commission to tackle immediately the alarming increase in child poverty throughout the EU through the introduction of a child guarantee against poverty;
35. Points out that emerging new forms of poverty – such as in-work poverty compounding difficulties such as e.g. paying mortgages, or high utility prices creating energy poverty – have resulted in an increase in the number of evictions, foreclosures and homeless people; calls on the Commission and the Member States to implement integrated policies favouring social and affordable housing, effective prevention policies aimed at reducing the number of evictions, and policies tackling energy poverty;
36. Reminds the Commission that in order to ensure both the sustainability and the adequacy of pensions, 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; stresses that pension reforms require national political and social cohesion, and should be negotiated with the social partners in order to be successful;
37. Takes note of the Commission's recommendation to reform healthcare systems so that they meet their objectives of providing universal access to high-quality care – including affordable access to medicines, especially those that are life-saving – and to secure respect for the rights of health staff; observes that, as a consequence of the crisis, some Member States have failed to ensure full coverage of public health; calls for this situation to be corrected without delay;
38. Stresses that the tax wedge has been much higher for low-wage and second-income earners, and that this remains an issue; calls on the Commission to take note of the IMF's October 2013 tax report, which points out that there is scope for better and more progressive forms of taxation;
39. Notes the importance of reducing taxation on labour, especially by low-paid and low-skilled workers, the long-term unemployed and other vulnerable groups, while ensuring the long-range sustainability of public pension systems; calls on the Commission to shift the tax burden away from labour while making sure not to endanger social benefits; notes that such shifts should not affect taxes with regressive effects such as consumption taxes, but should focus instead on taxes on capital, wealth, energy and natural resources;

Strengthened democratic legitimacy of the European Semester

40. Expresses its deep concern over the limited role that it, the national parliaments as well

as civil society have to play in the formulation of economic and social priorities in the European Semester; stresses that the persistent lack of democratic accountability in the measures and reforms that have been implemented is significantly reducing confidence in the EU project, as witnessed in the last European elections;

41. Calls on the Commission and the Council to enter into an interinstitutional agreement with Parliament in order to give Parliament a full role in the drafting and approval of the AGS and the Economic Policy and Employment Guidelines;
42. Instructs its President to forward this resolution to the Council and the Commission.