



Republic of Bulgaria
ECONOMIC
AND SOCIAL COUNCIL

RESOLUTION

on

**"Communication from the Commission - The Annual Growth Survey for
2017" COM (2016) 725 / 16 November 2016**

(own-initiative resolution)

Sofia, 2017

The 2017 Action Plan of the Economic and Social Council envisions the elaboration of a resolution on

"Communication from the Commission - The Annual Growth Survey for 2017".

ESC President - Prof. Lalko Dulevski submitted the draft resolution for discussion to the Plenary Session

At its meeting held on 27 January 2017 the Plenary Session adopted the resolution.

1. GENERAL CONCLUSIONS AND RECOMMENDATIONS

- 1.1. The Economic and Social Council (ESC) congratulates the European Commission (EC) for the timely presentation of the autumn package of documents for the European Semester 2017 and for the determination declared by the President, Mr Juncker,¹ to strengthen the economic recovery, to invest in young people, to help start small and medium enterprises (SMEs).
- 1.2. The policy guidance provided in the Annual Growth Survey (AGS) 2017² is accompanied by the traditional "Report on Early Warning Mechanism (EWM) for 2017"³ and "Draft Joint Employment Report of the Commission and the Council"⁴ as well as three documents for the euro area - "RECOMMENDATIONS for a Council recommendation on the economic policy for the euro area"⁵ "Communication on positive euro area fiscal stance"⁶ and "Communication on the draft budgetary plans of the euro area "⁷.
- 1.3. ESC congratulates the European Commission, on the eve of the celebration in March 2017 of the 60th Anniversary of "Treaties of Rome". AGS 2017 emphasizes "the importance of ensuring social justice as a way to stimulate more inclusive growth, as well as the need to enhance competitiveness, innovation and productivity". At the same time, the main priorities of the AGS 2017 are enshrined in the Council's work programme and the Bratislava roadmap⁸ the primary objectives of which are: "creating promising economic prospects for all, preserving our way of life and providing better opportunities for young people".
- 1.4. In connection with the Commission's commitment to strengthen the social dimension of European integration and the proposed draft of the "European pillar of social rights" ESC engaged in public consultations organized in 2016. ESC believes that the EU could define a reference framework of principles to promote fair competitive conditions in the European social market economy that are

¹ https://ec.europa.eu/priorities/state-union-2016_bg - President Juncker's speech on the state of the European Union of 16 September 2016

² Communication from the Commission "The Annual Growth Survey 2017" COM(2016) 725 final.

³ COM(2016) 728 final.

⁴ COM(2016) 729 final.

⁵ COM(2016) 726 final.

⁶ COM(2016) 727 final.

⁷ COM(2016) 730 final.

⁸ Declaration of the informal meeting of the 27 Heads of State and Government of 16 September 2016 <http://www.consilium.europa.eu/bg/press/press-releases/2016/09/16-bratislava-declaration-and-roadmap/>

adequate to the rapidly changing conditions in the world. ESC will expect generalized conclusions from the consultations with stakeholders and civil society and the Commission's proposals.

- 1.5. ESC joins the main conclusions and recommendations of the European Commission expressed in AGS 2017 and the accompanying documents noting that the Commission has complied with the views expressed by the social partners within the established dialogues as well as with the positions of the European institutions.
- 1.6. ESC notes the similarity between AGS 2017 and AGS 2016, but stresses the importance of present specific initiatives to invest in young people and in their skills by strengthening the "Youth Guarantee" in the pledged additional financial resources as well as the additional 2 billion Euros for the Youth Employment Initiative⁹.
- 1.7. ESC was pleased to note the consistency of the Commission (from the beginning of its mandate) regarding the commitment of key priorities, which remain in force from previous periods, and joined its call to all Member States to intensify efforts in accordance with the principles of the so-called "virtuous triangle of economic policy" to encourage investment, carrying out structural reforms and ensuring responsible fiscal policies.
- 1.8. It should be emphasized that in 2016 a sustainable recovery of the European economy is reported and some positive trends warranting the Commission in its autumn forecast of 2016¹⁰ to forecast moderate growth for the next two years, although fundamentally the disparities between Member States remain.
 - 1.8.1. On the other hand, the risks to growth should not be underestimated as they relate to the expected weaker manifestation of some favourable conditions (such as a decline in oil prices and the depreciation of the Euro), which benefited European countries in the past period, as well as the uncertainty of the effects following the referendum in the UK.
 - 1.8.2. ESC expressed serious concern about the medium and long-term prospects of growth in the Member States and the EU as a whole in its resolution on the AGS 2016 and stressed the influence of positive but temporary factors. The state of world trade, geopolitical situation and slowing growth outside the EU are other factors behind the lower expectations for the EU and its Member

⁹ The Commission proposed an increase in the existing funding for the Youth Employment Initiative with additional 2 billion euros for the period 2017-2020.

¹⁰ Employment and Social Developments in Europe – Quarterly Review – Autumn 2016
http://ec.europa.eu/economy_finance/eu/forecasts/index_en.htm

States. ESC agrees with the Commission that for the period until 2018 EU growth will be based on an increase in private consumption as a result of the trend of growing employment and increasing incomes.

- 1.8.3. The Commission takes into account the emerging positive trends in the labour market, while the forecast for the unemployment rate in EU in 2017 and 2018 envisages an annual average of about 8%.
- 1.8.4. ESC notes that the forecasts for employment growth in Bulgaria are closer to the EU average and slightly below those of the Eurozone. At the same time, forecasts for unemployment in Bulgaria are better in relation to the euro area and EU averages - at the rate of 8.1 percent for 2016, 7.1% in 2017 and 6.3% for 2018 (for the EU - 8.6%, 8.3% and 7.9% and the euro area - 10.1%, 9.7% and 9.2% respectively).
 - 1.8.4.1. In the context of the problems in the labour market outlined in AGS 2016, ESC adopted a resolution on "Council Recommendation on the integration of long-term unemployed in the labour market", and developed an analysis of long-term unemployment in Bulgaria.
 - 1.8.4.2. ESC stressed that long-term unemployment remains one of the most serious problems facing the recovery in the labour market despite the observed trends of reducing unemployment by 2013. According to ESC, this problem is not only connected with the loss of labour resource for the economy, but is also related to higher public spending. ESC expressed its support for the proposed integrated approach to the long-term unemployed, especially that among young people, based on the European Youth Guarantee.
- 1.8.5. In its analysis ESC outlined the profile of long-term unemployed in Bulgaria and the reasons leading to this condition. At the same time, ESC draws attention to "a group of economically inactive people who want to work but have left their last job more than one year ago or have never worked, and identifies that a significant portion of them are "long-term discouraged workers"¹¹. In this connection, ESC proposes that this group should be examined and targeted by effective policies and measures.
- 1.8.6. On the other hand, ESC holds the opinion that long-term unemployed and long-term discouraged workers can be seen not only as a problem but as a potential reserve for possible future needs of the workforce in the labour market. ESC believes that the adoption of the new "skills guarantee" and the implementation of an integrated approach to "one stop shop" services are

¹¹ ESC, Analysis of long-term unemployment in Bulgaria in 2016.

complementary tools aimed at young people, especially those with insufficient qualifications and skills for their inclusion on the market labour.

- 1.8.7. ESC draws attention to the positive trend of revival of investment in the Eurozone and the total for the EU which began in 2014. Meanwhile, ESC expresses its hope for the realization of projections for growth and investment in Bulgaria with 3.2% and 3.6% respectively in 2017 and 2018. In this regard, ESC appreciates the expectations of the European Commission for positive effect of the already launched in many Member States projects financed by the European Fund for Strategic Investment (EFSI) and the operational programmes financed by EU structural and investment funds (ESIS) 2014-2020.
- 1.8.8. ESC supports the Commission's proposal for strengthening and expanding the EFSI¹² in order to further stimulate investment by extending the deadline until end of 2020 and doubling its capacity to at least 500 billion Euros. In its proposal the European Commission puts even more emphasis on attracting private sector projects of public interest and commercialization of innovations by SMEs by regulating the complementarity of ESIS and national development banks. At the same time, more transparency in the selection of projects is ensured, and by improving the geographical coverage the resource is aimed to reach more of the less developed and transit European regions and their citizens. ESC also draws attention to the Commission's proposal regarding the rules for public sector with which it aims to encourage public-private partnerships in different Member States.
- 1.8.9. ESC notes that the Commission's forecast from the autumn of 2015¹³ for a slight increase in annual inflation in the EU was not fulfilled, the inflation remaining at a level close to zero - by 0.3% for 2016¹⁴ And it is expected to reach a level of 1.6% - 1.7% during the two following years. Forecasts for Bulgaria for 2016 expect deflation of 0.9% and inflation of around 1% for 2017 and 2018. According to ESC, the levels of inflation may prove a challenge for investors' intentions.
- 1.8.10. During the last year the European Commission has made some progress on the initiatives stated in the Report of the five chairmen concerning the completion of EMU, while the European Semester has focused more on the

¹² Communication of the Commission on "Strengthening European investments to create jobs and growth, to a second phase of EFSI new European plan for foreign investment" COM 597 final /14 September 2016

¹³ Cf: European Economic Forecast Autumn 2015. Forecasts for Bulgaria,
http://ec.europa.eu/economy_finance/eu/forecasts/2015_autumn/bg_en.pdf

¹⁴ Employment and Social Developments in Europe – Quarterly Review – Autumn 2016
http://ec.europa.eu/economy_finance/eu/forecasts/index_en.htm

Eurozone. ESC observes even stronger action on part of the Commission during this semester in order to reach agreements and other initiatives to complete the EMU, such as European scheme for deposit insurance and others.

1.8.11. It should be emphasized also that the Commission acknowledges the existence of other greater challenges that need to be addressed, for example to review of the European System of Financial Supervisors (ESFS) to enhance the effectiveness and efficiency of supervision; to accelerate the adoption of the proposal for a unified representation of the euro zone in the International Monetary Fund¹⁵, etc. In this regard ESC welcomes the Commission's intention to present in March 2017 a White Paper on the Future of Europe which will also consider the question of the future of the EMU.

1.8.12. ESC welcomes the commitment of the European Commission¹⁶ to analyse and prepare evaluations of the effectiveness of the legislation and policies in 2017 which are to be taken on the basis of projected statutory review for suitability and effectiveness of the regulatory framework (platform REFIT),¹⁷ so that the objective does not create unnecessary administrative burdens. This is the orientation of the new interinstitutional agreement on better lawmaking¹⁸ as a general commitment of the Commission, Council and European Parliament.

1.8.13. ESC encourages the participation of social partners, national parliaments and other stakeholders from the civil society in the European Semester process emphasizing again the need for social dialogue in all stages of the European Semester. Effective social dialogue at the national and the EU level is the basis of the social market economy and contributes to the balance of interests in economic and social policies.

1.8.14. In this regard, ESC stated its support for streamlining the mechanism of the European Semester¹⁹ and adopted a resolution on "Institutional mechanisms to involve social partners and other civil society organizations in the European Semester" in the context of The Five President's Report: Completing Europe's Economic and Monetary Union (EMU).

1.8.14.1. In its resolution, ESC stressed the importance of adopting uniform rules to carry out dialogue and consultation at the national and the European level

¹⁵ COM(2015) 603 final.

¹⁶ Commission Work Programme for 2017 COM(2016)710/25 October 2016.

¹⁷ The program for the adequacy and effectiveness of the regulatory framework (REFIT) will become a major part of the annual work programme of the Commission and of its political dialogue with other institutions.

¹⁸ <http://eur-lex.europa.eu/legal-content/BG/TXT/PDF/?uri=OJ:L:2016:123:FULL&from=BG>

¹⁹ ESC Resolution on AGS 2016

which will contribute to greater clarity on the obligations of participants in the consultative process. ESC restates that this "will highlight the responsibility of social partners and civil society organisations in formulating and implementing the substantive documents to the European semester - National Reform Programmes (NRP) and Country-Specific Recommendations (CSR) "²⁰.

1.8.15. Within the framework of the European Semester 2016 ESC adopted several documents and made specific recommendations on the issues which the Commission addresses in this Annual Growth Survey concerning the migration attitudes of young people, long-term unemployment, climate change, etc.

1.8.16. ESC considers necessary that the Council of Ministers, its subordinate bodies and the Bulgarian National Bank should take steps to adopt a National plan for adopting the Euro in implementation of the Decree № 168 of 3 July 2015 of the Council of Ministers, which regulates the establishment of the Coordination Council for the preparation of Bulgaria for membership in the Eurozone.

2. INTRODUCTION AND GENERAL BACKGROUND

2.1. The publication of the Annual Growth Survey and its accompanying documents launched the new cycle of economic policy coordination in the EU - European semester 2017, which is based on the autumn economic forecast and the identified key areas of action and initiatives in the Commission Work Programme for 2017²¹ entitled "A Europe of results: A Europe that Protects, Empowers and Defends". ESC shares the overall finding, evaluations and the views of the European Commission for economic and social development of the Union during the following year.

2.2. ESC draws attention to the positive trends put forward by the Commission in the labour market, such as the newly created since 2013 8 million new jobs and the achieved level of employment in the age group 20-64 of 71.1% for the second quarter of 2016, which is already higher than in that of 2008.

2.2.1. Nevertheless, ESC proposes once again to reassess and, if necessary, to revise the optimistic expectations of the Commission that it is possible to achieve by

²⁰ ESC, Resolution on: "Institutional mechanisms to involve social partners and other civil society organizations in the European Semester".

²¹ Communication from the Commission "Commission Work Programme for 2017", COM 710/ 25 November 2016

2020 the employment rate of 75% targeted by the Strategy "Europe 2020", if these trends remain unchanged.

2.2.2. In this context, ESC notes with concern the finding of the Commission that despite the reported improvements in recent months, unemployment remains too high and in many parts of Europe and many Member States the prolonged period of high unemployment has significant social consequences.

2.2.3. ESC in its acts has repeatedly warned that current demographic trends and the ageing population in the EU put pressure on the financial sustainability and adequacy of social protection systems.

2.2.4. ESC expresses concern and draws attention to the finding that the percentage of people at risk of poverty and social exclusion remains high, resulting in increased inequalities in society and at the same time decreasing economic performance and potential for sustainable growth of individual Member States and the EU in general.

2.3. ESC attaches particular importance to the fact that AGS pays attention to the impact of globalization, demographic trends and technological development. Therefore, ESC believes that taking advantage of these sources of change, Member States need to make additional efforts to enable the benefits of globalization and technological changes, including digitization, to reach different groups in society, particularly young people. Concrete initiatives in this direction are enshrined in the Commission Work Programme for 2017.²²

2.3.1. ESC emphasizes that achieving a shift in policies and the acceleration of reforms in accordance with the specific recommendations to Bulgaria, is essential to meet the challenges of globalization, demographic and technological development and the growth of jobs and incomes.

2.4. Conversely, ESC notes the Commission's dissatisfaction with the fragmentation and inconsistency in the implementation of country-specific recommendations (SR) and the incompleteness of structural reforms in many Member States. Considering the effect of rationalization of the European Semester and that now recommendations are focused on the key challenges for each Member State, ESC repeats its position expressed in several previous acts that the Commission must find adequate mechanisms to influence the performance of SRs.

2.5. In this context, the European Commission called on Member States to use appropriate combination of all policy tools - monetary, fiscal and structural with

²² COM(2016) 710 final

the purpose to strengthen job creation, growth, investment and financial stability²³.

- 2.6. ESC agrees with the Commission that in the current situation characterized by low inflation, low growth and low interest rates, combined with supportive monetary policy, the burden of keeping the economic recovery is on other policy areas"²⁴.

3. ENCOURAGING INVESTMENT

- 3.1. ESC restates its position²⁵ in support of the recommendation of the Commission to encourage investment as a key driver of growth, which increases the competitiveness of the economies of Member States and the EU, to support the recovery and contribute to social cohesion in the coming years.
- 3.2. ESC draws attention to the findings of the Commission concerning the remaining challenges to SMEs, micro-enterprises and relatively young companies related to access to finance in some Member States. ESC believes access to funding for these enterprises is vital to their development and their potential for innovation. As SMEs rely mainly on bank loans to finance investment projects of great importance are the stability and reliability of banking institutions in the Member States.
- 3.3. ESC welcomes the Commission's proposals concerning European venture capital funds and European social entrepreneurship funds and views them as a decisive step towards the realization of the initiative to create a union of capital markets. According to ESC, a fully developed union of the capital markets could complement the bank with alternative sources of financing through equity markets and bonds and to contribute to a proper valuation and distribution of risk in the financial system.

²³ Commission Communication "Annual Growth Survey 2017 "COM (2016) 725 final.

²⁴ Commission Communication "Annual Growth Survey 2017 "COM (2016) 725 final.

²⁵ ESC, Resolution on AGS 2016.

- 3.4. ESC fully agrees with the recommendation of the European Commission to encourage the movement of capital to areas which are characterized by higher productivity growth, high productivity activities and innovation.
- 3.5. ESC also repeatedly pointed to the existing problems in national frameworks for bankruptcy and hopes that the Commission will soon present a proposal on measures to improve bankruptcy procedures.
- 3.6. For ESC the Commission's findings concerning the still high level of non-performing loans in several Member States pose a serious challenge. It requires measures to be taken to overcome the problems facing the banking sector to improve banks' ability to generate or raise new capital to support new lending and therefore their ability to promote economic recovery and growth.
- 3.7. ESC restates its support for the "Investment plan for Europe" emphasizing its importance, especially for countries like Bulgaria. ESC welcomes the fact that in less than two years within EFSI were approved 69 projects in 8 countries and 56 operations were signed. EFSI has managed to mobilize nearly 138 billion Euros in 27 countries while it is expected that nearly 300 000 SMEs will benefit from EFSI.²⁶ In this regard, ESC calls for swift adoption of the Commission's proposal for increasing the duration of EFSI and doubling its size to 630 billion euros by 2022 while improving its geographic and sectoral scope"²⁷.
- 3.8. At the same time, ESC regrets that none of the already submitted projects comes from Bulgaria. Therefore, it proposes that our country should urgently devise and launch its own Investment Plan /similar to the Juncker plan/ and mobilize public and private financial resources for the implementation of specific investment objectives in order to accelerate economic growth and create new jobs.
 - 3.8.1. In this regard, ESC welcomes the actions of the Bulgarian government undertaken to form the national strategy for promoting Bulgaria as an investment destination for the period 2015-2020. ESC also believes that the unit for advice on the "Investment Plan for Europe" in Bulgaria, established in late 2016 with support from the European Investment Bank, will assist effectively in the coming years Bulgarian entrepreneurs, public institutions and local authorities in the preparation and structuring of qualitative strategic projects under the Juncker plan.
- 3.9. The ESC stresses the importance of three separate components of the Investment plan for Europe (financial instruments, technical assistance and measures to

²⁶ Commission Communication "Annual Growth Survey 2017 "COM (2016) 725 final.

²⁷ Conclusions of the European Council of October 2016.

improve the business environment), which should facilitate the development of "key areas such as support for SMEs, innovation and research and development, renewable energy, energy efficiency, digital and transport infrastructure". ESC shares the expectations of the Commission that these investments will contribute to job creation and growth in local communities and to tackle youth unemployment.

- 3.10. In a series of acts ESC called for effective use of the resources of the European structural and investment funds (ESIF) and therefore received with satisfaction the Commission's proposal to increase the opportunities for combining EFSI with ESIF and the resources of the Connecting Europe facility.
- 3.11. ESC supports the initiative for encouraging the transition to a low-carbon and circular economy and therefore adopted an opinion on "Challenges and opportunities facing the European Union and Bulgaria following the negotiations on climate change in Paris"²⁸. According to ESC, the implementation of this transition in the evolution of the EU and the world as a whole will create new jobs in innovative services and in the development and production of new more sustainable products.
- 3.12. ESC supports the Commission's recommendation for serious directing investment to human capital and social infrastructure. Therefore, ESC agrees with the emphases made by the Commission concerning the development of long-term care services, affordable and flexible childcare, as well as the need for investment in education and lifelong learning in order to support employability.
- 3.13. ESC also accepts the recommendation of the European Commission to promote social investment in general, including health, childcare, support for housing and rehabilitation services.
- 3.14. In the previous semester the Commission started its work on the identification and elimination of challenges facing investments as part of the so-called "third pillar" of the investment plan for Europe the publication of a [Staff Working Document: "National investment challenges 2015"](#)²⁹, Accompanying the AGS 2016 It identified barriers to investment in each Member State and took a step towards strengthening the convergence process of individual economies and regions.³⁰ According to ESC, the process of catching up with the group of cohesion

²⁸ ESC, 2016. Opinion on: "Challenges and opportunities facing the European Union and Bulgaria following the negotiations on climate change in Paris".

²⁹ SWD (2015) 400 final / 26 November 2015.

³⁰ ESC, Resolution on the Annual Growth Survey 2016.

countries, to which Bulgaria belongs, still requires countries to invest in improving and developing infrastructure.

- 3.15. The analyses of AGS 2017 and supporting documents again confirm that investment patterns and barriers to investment are significantly different in each Member State and also overcoming them is uneven. Clearly, it is still difficult to find universal solutions for all Member States to reflect investment trends and act on them. Therefore, ESC shares the recommendation of the Commission to make more efforts and adopt concrete measures to achieve real results in this direction.
- 3.16. ESC supports the position of the Commission that reforms aimed at improving the business environment and optimizing the process of managing EU funds will help to overcome investment challenges. It should be noted that the Commission already proposed initiatives to facilitate the financing of the real economy.³¹
- 3.17. ESC welcomes and also calls on the Commission to speed up the adoption of concrete measures set out in its work program for 2017, in connection with the energy union, the union of capital markets strategy for the single market strategy for digital single market package and the circular economy international trade and investment agreements that will contribute to improving the business environment. At the same time, ESC emphasizes the need for careful evaluation of the social effects and effects on the labour market of the prospective signing of trade agreements between the EU and the US and EU and Canada.
- 3.18. In its opinion³² ESC supported the Paris climate agreement, which should contribute globally to build economies with near-zero levels of carbon dioxide and other greenhouse gases. At the same time, ESC believes that the transition to a low carbon economy at the national level should be smooth and gradual, accompanied by consultation and coordination with key stakeholders, including the social partners.
- 3.19. ESC expresses its support for the EC programme for full deployment of the "fifth generation of mobile communication systems" throughout the European Union by 2025 and also believes that this project has the potential to create jobs in many countries and in more remote regions.
- 3.20. According to ESC, high priority should be given to investment in knowledge, innovation, education and ICT as a driver of growth. ESC has stressed in its acts that successful cooperation between research universities and business

³¹ C/2016/2946.

³² ESC, 2016. Opinion on "Challenges and opportunities facing the European Union and Bulgaria following the negotiations on climate change in Paris".

development of products and services supported by the state and civil society is crucial to boost competitiveness and growth.

- 3.21. ESC emphasizes that the Commission's proposal for tax-deductible costs of R&D investment and to provide incentives for businesses in financing through debt instead of equity is clear support for innovation in Europe.
- 3.22. In the context of the strategy to promote investment ESC joins the Commission in calling on Member States to make use from the scale of the EU³³ thus creating benefits for businesses, consumers and workers in the EU, and people in other parts of the world and particularly in the poorest countries.
- 3.23. In AGS 2017 the Commission noted that "export outside the EU is becoming an increasingly important source of jobs for Europeans" since the it has created more than 30 million jobs, i.e. almost every seventh workplace in Europe. Moreover, these jobs are filled by highly skilled workers and offer better than average pay.
- 3.24. The analyses presented in AGS show the first signs of change in world trade, which is why ESC considers justified the support declared by the Commission for EU companies to facilitate their further integration into global chains of value, especially for service suppliers and SMEs.
- 3.25. ESC restates that to attract more investors in the EU it is necessary to provide stability and predictability of the law, achieve significant progress in structural reforms in education and the labour market, curb corruption and combat the informal economy.

4. STRUCTURAL REFORMS AND RESPONSIBLE FISCAL POLICIES

- 4.1. ESC welcomes the Commission's emphasis on "the importance of ensuring social justice as a means to encourage more inclusive growth"³⁴ as was stated by the European Parliament. On the other hand, ESC supports the policy that creation of quality jobs should remain the objective for Member States in their reform programmes and joins the Commission's recommendation to invest more in creating favourable conditions for its attainment.

³³ The EU is the world's largest exporter and importer of goods and services; largest trading partner for 80 countries and the second most important partner for another 40.

³⁴ European Parliament resolution on the European Semester for economic policy coordination: aspects related to employment and social policy in the AGS 2017 (2016/2307(INI)).

- 4.2. ESC believes that achieving the required balance between flexibility and security is an important part of the structural reforms of the labour market. ESC reiterates that the active involvement of social partners in these processes is the key to overcome the segmentation of the labour market, to introduce adequate changes in wages and systems of income support to implement policies to facilitate the transition to new jobs.³⁵
- 4.3. Despite the optimistic data on most indicators of labour market,³⁶ESC is concerned by the still high values of youth and long-term unemployment in some Member States. ESC emphasizes with concern that 4.2 million young people in the EU (18.6%) are still unemployed, which is significantly above the values of 2008, while the number of long-term unemployed remains high - about 10 million people.³⁷
- 4.4. ESC restates its recommendation³⁸ for a greater emphasis on achieving progress in tackling youth unemployment and insists on the objectives of the "Youth Guarantee" to direct more resources to the most deprived young persons at the national, regional and local level and deploy an integrated approach for the transition from school to work.
- 4.5. In this regard, ESC welcomes the Commission for proposing, in response to a series of recommendations to analyse the effect of "Youth Guarantee" and improve its implementation in individual countries³⁹, concrete measures in this direction⁴⁰ and additional funding as part of a new initiative for youth employment.
- 4.6. ESC is pleased to report improvements in indicators for completing levels of education in the Member States and the EU as a whole, which are the basis of the objectives of education strategy "Europe 2020" and have always been the focus of ECS's attention over the years.
- 4.7. ESC notes that the percentage of early school leavers decreased in most Member States, reaching 11%, but analyses of the European Commission highlighted the

³⁵ ESC, Resolution on AGS 2016.

³⁶ COM(2016) 729 final.

³⁷ COM(2016) 729 final.

³⁸ ESC, Resolution on AGS 2016.

³⁹ According to the data provided by the Commission, so far nine million young people in the EU have benefited from the Youth Guarantee.

⁴⁰ Communication of the Commission "Youth Guarantee initiative for youth employment - three years later" (COM (2016) 0646), October 4, 2016

problem of higher rates of early school leavers among Roma students and students with migrant backgrounds, especially those born abroad.⁴¹

- 4.8. In terms of university education, the EU is close to its target of 40%. However, according to international standards, too many Europeans acquire only a low level of basic literacy, numeracy and digital skills which puts Europe at a competitive disadvantage in a rapidly changing global economy. Therefore, ESC joins the position of the European Parliament "Member States to prioritize the overall training for digital skills and take into account the transition to a digital economy in the context of improvement of qualification and retraining"⁴².
- 4.9. ESC stresses that under-investment in education, especially in digital skills can become a challenge to Europe's competitive position and the employability of its workforce.
- 4.10. ESC draws attention to the need for coordinated action among all stakeholders and institutions for additional measures on the qualifications of young people and the adequacy of the skills of the participants in the labour market. ESC believes that the proposed new European framework for skills⁴³ and adopted "Skills Guarantee"⁴⁴ targeted at low-skilled adults who do not qualify for support under the "Youth Guarantee", Member States will have the opportunity in 2017 to direct resources to specific needy target groups.
- 4.11. ESC emphasizes that in response to forecasts of a shortage of people with different professional qualifications, many Member States will have to modernize their systems of vocational education and training by introducing dual training and other flexible learning schemes. This, according to the ESC, requires more action in the direction of building successful partnerships between businesses, higher education and research institutions.
- 4.12. ESC notes with concern that despite the achievement of reduction in real poverty and the fact that the percentage of people at risk of poverty or social exclusion in the EU closer to the level of 23.7% for 2008, this problem still remains very serious.⁴⁵ This is a signal that the goal of the "Europe 2020" Strategy - at least 20 million people to be saved from poverty and social exclusion by 2020 might not be achieved.

⁴¹ Draft Joint Employment Report of the Commission and the Council of November 16, 2016, accompanying the Commission Communication on AGS Growth in 2017 (COM(2016)0729).

⁴² EP resolution on the European Semester for economic policy coordination: aspects related to employment and social policy in the AGS 2017 (2016/2307(INI)).

⁴³ Communication of the Commission of 10 June 2016 entitled "A new European framework for skills - Joint efforts to strengthen human capital, employability and competitiveness" (COM (2016) 0381).

⁴⁴ Proposal for RECOMMENDATION OF THE COUNCIL on establishing a Skills Guarantee- 010/05/2016, the COM(2016) 382 final/2 2016/0179 (NLE)

⁴⁵ Eurostat: In 2015 about 119 million people were at risk of poverty or social exclusion.

- 4.13. In this regard, ESC emphasizes the Commission's recommendation to Member States to review their systems of social protection, increase the effectiveness of public spending to stimulate participation in the labour market and ensure "adequate employment security and income replacement". ESC expresses its support for the finding of the Commission concerning the need to improve the adequacy and scope of the schemes for income support as a necessary step to prevent social exclusion.
- 4.14. ESC draws attention to the problems facing national pension systems that are forced to react to increasing life expectancy. In this respect, ESC agrees with the Commission that pension systems in coordination with the measures of the labour market should allow people and encourage them to remain at work until an older age, taking into account the physical capacity and health status of citizens .
- 4.15. ESC supports the Commission's recommendation to expand the scope of the measures and opportunities for lifelong learning. It is necessary to apply an integrated approach to social benefits by working for qualification and motivation not only in receipt of unemployment benefits, but also in receipt of social assistance.
- 4.16. ESC agrees with the Commission that "health care policies should support and strengthen social safety nets and active inclusion strategies through prevention, but also treatment and rehabilitation policies"⁴⁶. ESC has repeatedly stressed the need for reforms in social protection systems of the population at risk of poverty or social exclusion because of poor health, which must be financially secured. ESC notes that despite the action taken at the EU level, the lack of equal opportunities in the labour market remains the most important challenge for people with disabilities in Bulgaria as unemployment among them is very high. In this regard, ESC joins the Commission's position on the need to focus more effort on helping people with disabilities to acquire the necessary skills and qualifications.
- 4.17. In the context of the development of the single market, ESC supports the Commission's recommendation "Member States to make full use of existing EU instruments to unlock the full potential of investment and productivity in Europe"⁴⁷.
- 4.18. ESC emphasizes that many times in its acts it has drawn attention to the need for more vigorous action on part of the Commission, including monitoring the implementation of specific recommendations to countries that lead to full

⁴⁶ Commission Communication "Annual Growth Survey 2017" COM (2016) 725 final.

⁴⁷ Communication from the Commission "The Annual Growth Survey 2017" COM(2016) 725 final.

transposition into national law of European documents affecting the European single market.

- 4.19. ESC restates its conviction that the strategy for the single market can create new business opportunities, to remove existing barriers, especially for service providers wishing to develop their activities throughout the EU. In this regard, ESC welcomes the Commission's proposals concerning the application of single market rules to facilitate the cross-border provision of services, business restructuring, bankruptcy, etc.
- 4.20. ESC supports the Commission's recommendation to institutions to do more to coordinate public procurement to achieve economies of scale, strengthen their administrative capacity for procurement, planning and implementation to accelerate the development of e-procurement, which would reduce the risk of corruption and unequal conditions for participants.

(signed)

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